SPECIAL ISSUE: Strategic Issues in the Family Firm

The JMI in Brief

Article Abstracts ................................................................. 4

Main Articles

A Strategic Management Perspective of the Family Firm: Past Trends, New Insights, and Future Directions .............................................. 6
Joshua J. Daspit, James J. Chrisman, Pramodita Sharma, Allison W. Pearson, and Rebecca G. Long

Family Firm Knowledge Integration and Noneconomic Value Creation ................................................................. 30
Jon C. Carr and J. Kirk Ring

Succession-Related Role Transitions in Family Firms: The Impact of Proactive Personality ................................................................. 57
Laura E. Marler, Isabel C. Botero, and Alfredo De Massis

Socioemotional Wealth and Family Firm Performance: A Stakeholder Approach ................................................................. 82
Bart J. Debicki, Robert Van de Graaff Randolph, and Marcin Sobczak
Statement of Purpose
The purpose of the *Journal of Managerial Issues* is to contribute to the advancement of business knowledge by publishing high-quality basic and applied research across the functional areas of business. Its primary goal is to disseminate the results of new and original scholarly activity to a broad audience consisting of university faculty, business executives, consultants, and government managers. The Journal also acts as a bridge between the academic and business communities.

Subscriptions
The *Journal of Managerial Issues* is published quarterly (spring, summer, fall, winter). Subscriptions are $95/year for individuals and $115/year for institutions. International subscriptions are $190/year. Please make check payable to “PSU/Journal of Managerial Issues” and send it to the address below, attention Ms. Irene Robinson.

Manuscripts
Manuscripts submitted for consideration are welcome. Send an e-mail file attachment to JMI@pittstate.edu. To help defray the administrative costs, a payment of $100 (for up to 25 pages, $30 for every page over 25 to cover extra production costs) will be due if your article is accepted for publication. This is not a submission fee. There is no charge if your paper is not accepted for publication in *JMI*. See Manuscript Style Guide (inside back cover) for additional requirements.

Copyright Information
Authorization to photocopy articles from this journal, free of charge, and without securing permission, as permitted by Sections 107-108 of the United States Copyright Law, is given by the *Journal of Managerial Issues*. Copies beyond that permitted by Sections 107-108 may be made provided the base fee per copy is paid to the Copyright Clearance Center, 222 Rosewood Dr., Danvers, MA 01923 (508-750-8400). For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. This consent does not extend to copies made for general distribution, for advertising or promotional purposes, creation of new works, or resale.

Send Correspondence to:
Eric G. Harris, Editor-in-Chief
*Journal of Managerial Issues*
Pittsburg State University, 1701 S. Broadway, Pittsburg, KS  66762
E-mail: eharris@pittstate.edu
E-mail submissions to JMI@pittstate.edu
Phone: 620-235-4575; FAX: 620-235-4572
(http://www.journalofmanagerialissues.com)

ISSN 1045-3695
Copyright @ 2017 by Pittsburg State University
Editorial Policy

The Journal of Managerial Issues seeks to publish the highest quality empirical, theoretical, and methodological papers in business research. The overriding criterion for publication of a manuscript in the JMI is the knowledge readers will gain about the theory of organizations and business practice. The JMI is intended to foster research from a variety of business school and related disciplines. As such, the JMI is open to and encourages a wide range of emerging methods, conceptual approaches, and substantive problem areas within the domain of business behavior.

Articles published are not necessarily the opinions of the JMI, the editors, or Pittsburg State University. Statements by authors appearing in the Journal are the exclusive responsibility of the authors themselves. Authors are allowed to express their opinions so as to encourage and stimulate a free flow of ideas.

Each paper submitted to the JMI is processed as follows:
1. Receipt of the manuscript is acknowledged promptly by a letter from the Editor. An initial screening is made by the editors to determine the suitability of the article. Key factors considered are the quality of the research methodology, the ability to communicate to university faculty and business leaders, and, most important, the potential contribution to the advancement of knowledge directly related to the theory of organizations and business practice.
2. Assuming the manuscript is suitable for consideration by the JMI, it is assigned to two (or more) external referees, according to its functional and methodological content. Manuscripts are double-blind reviewed by referees selected by the Editor.
3. Each referee provides a careful evaluation of the manuscript, makes a recommendation to the Editor, and supplies comments for the author.
4. The Editor appraises the reviews and makes a decision regarding publication of the article. Every effort is made to obtain prompt reviews and make early decisions regarding publication or suggested revision of the manuscript.

Circulation includes university faculty and administrators, collegiate and public libraries, business executives, and government managers.
EDITORIAL REVIEW BOARD

**Accounting**
Edward Douthett, Jr., George Mason University
Timothy J. Fogarty, Case Western Reserve University
Hubert D. Glover, Drexel University
Kenneth Lambert, University of Memphis
Claire Latham, Washington State University
Mahmoud Nourayi, Loyola Marymount University
Eric Press, Temple University
Walter A. Robbins, University of Alabama

**Finance**
Thomas H. Eyssell, University of Missouri-St. Louis
Stephen Ferris, University of Missouri-Columbia
George Gallinger, Arizona State University
George G. Kaufman, Loyola University of Chicago
Suk Hun Lee, Loyola University of Chicago
R. Charles Moyer, University of Louisville
Edward D. Zychowicz, Hofstra University

**Management**

**Behavioral**
Mark Bolino, University of Oklahoma
Debra R. Comer, Hofstra University
Jennifer M. George, Rice University
J. David Johnson, University of Kentucky
Scott Lester, University of Wisconsin-Eau Claire
Laura Marler, Mississippi State University
Tina L. Robbins, Clemson University
Bret L. Simmons, University of Nevada
Howard L. Smith, Pacific University
Kenneth R. Thompson, DePaul University

**International**
Myria Watkins Allen, University of Arkansas
Rajan Chandran, Temple University
Meredith Downes, Illinois State University
Lee A. Graf, Illinois State University
Bruce T. Lamont, Florida State University
Jenice Prather-Kinsey, University of Missouri-Columbia
Kathleen Rehbein, Marquette University
Malika Richards, Penn State University-Berks

**Legal and Social Environment**
Christine Fogliasso, Pittsburg State University
Robert L. Holbrook, Jr., Ohio University
Tammy Hunt, UNC-Wilmington
Paula Rechner, Texas State University-San Marcos
S. S. Samuelson, Boston University
Lee P. Stepina, Florida State University
G. Stephen Taylor, Mississippi State University
Lori L. Wadsworth, Brigham Young University

**Human Resource Management**
Wendy R. Boswell, Texas A&M University
Joseph Broschak, University of Arizona
M. Ronald Buckley, University of Oklahoma
Nancy E. Day, University of Missouri-Kansas City
Angelo S. DeNisi, Tulane University
Helen I. Doerpinghaus, University of South Carolina
Dwight D. Frink, University of Mississippi
Jeffrey H. Greenhaus, Drexel University
Wayne A. Hochwarter, Florida State University
Nancy Johnson, University of Kentucky
Editorial Review Board
(continued)

K. Michele Kacmar, Texas State University
Brian Klaas, University of South Carolina
Howard J. Klein, The Ohio State University
Douglas McCabe, Georgetown University
Lawrence H. Peters, Texas Christian University
Kira Reed, Syracuse University
Jason D. Shaw, Hong Kong Polytechnic University
Scott A. Snell, University of Virginia
Patrick M. Wright, Cornell University

Production/Operations
Arnold Barnett, MIT
Farzaneh Fazel, Illinois State University
Lawrence Fredendall, Clemson University
Hélène Giroux, HEC Montréal
Nancy Lea Hyer, Vanderbilt University
Manoj Malhotra, University of South Carolina
Joseph Martinich, University of Missouri-St. Louis
Marc Schniederjans, University of Nebraska-Lincoln

Strategy and Policy
Allen C. Amason, Georgia Southern University
Diana Bilimoria, Case Western Reserve University
Aaron Buchko, Bradley University
Charles M. Byles, Virginia Commonwealth University
Derrick D’Souza, University of North Texas
David Noble, University of Connecticut
John A. Pearce II, Villanova University
Terrence Sebora, University of Nebraska-Lincoln
Chamu Sundaramurthy, San Diego State University
Ellen Weisbord, Pace University

Management Information Systems
John R. Carlson, Baylor University
J. N. D. Gupta, University of Alabama-Huntsville
Anita Lee-Post, University of Kentucky-Lexington
David Paper, Utah State University
Marion G. Sobol, Southern Methodist University
Mohan Tanniru, Oakland University
Michael P. Thompson, Brigham Young University

Marketing
Gerald Albaum, The University of New Mexico
Douglas Amyx, Louisiana Tech University
Rolph E. Anderson, Drexel University
J. Scott Armstrong, University of Pennsylvania
Rosemary J. Avery, Cornell University
James S. Boles, University of North Carolina
Isabella Cunningham, University of Texas at Austin
C. Anthony di Benedetto, Temple University
Jule B. Gassenheimer, Rollins College
Mark Johlke, Bradley University
Keun S. Lee, Hofstra University
James H. Martin, John Carroll University
Ajay Menon, Colorado State University
Paul Murphy, John Carroll University
John Sherry Jr., University of Notre Dame
David Stewart, Loyola Marymount University
R. Dale Wilson, Michigan State University
MAIN ARTICLES

A Strategic Management Perspective of the Family Firm: Past Trends, New Insights, and Future Directions ................................................................. 6
Joshua J. Daspit, James J. Chrisman, Pramodita Sharma, Allison W. Pearson, and Rebecca G. Long

Family firms are the most prevalent form of business organization in the world. This special issue of the Journal of Managerial Issues seeks to advance knowledge about the strategic and behavioral issues and processes aimed to accomplish the transgenerational economic and non-economic goals of these firms. Taking a strategic management perspective, this article starts with a brief overview of family business studies, summarizes the articles in this issue, and discusses future research opportunities to create usable knowledge on this ubiquitous organizational form.

Family Firm Knowledge Integration and Noneconomic Value Creation ................................................................. 30
Jon C. Carr and J. Kirk Ring

This study empirically examines the role knowledge integration plays in the successful development of noneconomic value creation within family firms. A general framework illustrating this process is presented by adapting literature from both the family firm literature and the knowledge-based view of the firm. Using a study of 158 family-owned businesses, this work analyzes how the path-dependent, idiosyncratic knowledge developed within families and their businesses is leveraged to successfully meet their noneconomic goals. Additionally, how transgenerational control intentions of the family unit and the type of knowledge being transferred moderate this relationship are examined. Implications and future research are proposed.
Succession-Related Role Transitions in Family Firms: The Impact of Proactive Personality  .......................................................................... 57
Laura E. Marler, Isabel C. Botero, and Alfredo De Massis

Understanding the factors that affect intra-family succession has been an important area of research for family business scholars. Although the succession literature emphasizes the importance of incumbent and successor characteristics during the succession process, scant research has explored the interplay of successor and incumbent personality traits. Because change is an inherent part of the succession process, this paper considers the congruence effects of incumbent and successor proactive personality, a trait that captures an individual’s tendency to bring about meaningful change in his or her environment. This paper combines principles from the organizational behavior and family business literature to explicate the effects of personality congruence on effective role transitions during and following leadership succession. Theorizing in the paper focuses on two contexts: situations in which the incumbent is ready for transition and those in which incumbents are not ready for transition.

Socioemotional Wealth and Family Firm Performance: A Stakeholder Approach ............................................................................................................. 82
Bart J. Debicki, Robert Van de Graaff Randolph, and Marcin Sobczak

This paper investigates the relationship between the importance of socioemotional wealth (SEW) objectives and performance in family firms. SEW is considered in this study as a multidimensional construct consisting of family prominence, family continuity, and family enrichment. Considering the outcomes of pursuing the SEW goals for various stakeholders in family firms, three hypotheses are developed and tested on a sample of family firms in Poland, using structural equation modelling procedures. The results suggest that the salience of goals related to family prominence and continuity are positively related to performance, while family enrichment objectives may result in performance losses.
Family enterprises are the predominant form of business organizations estimated to range from 60% to 98% of all firms in different regions of the world (e.g., Miller and Le-Breton Miller, 2005). These businesses are some of the smallest and largest, youngest and oldest enterprises, in developing and developed economies (Chua et al., 2004; Fernández-Aráoz et al., 2015; La Porta et al., 1999). As lists of the oldest and largest family firms continue to garner interest among practitioners, educators, and policy makers (e.g., Eichenberger, 2011; Peterson-Withorn, 2015), scholarly efforts to understand the unique challenges and strategic advantages of these firms continue to escalate. Grant
Calder’s (1953) dissertation on management problems in small family controlled manufacturing firms is the first documented scientific study in this field (see Sharma et al., 2007, for the evolution of family business studies). Although the seeds of the strategic management approach were sown in classic books like Keeping the Family Business Healthy (Ward, 1987), growth remained slow through the decade of the eighties when only about 30 peer-reviewed articles appeared per year. However, by 2000, this number had increased dramatically to 565 articles a year, with further increases to more than 800 articles annually since 2010 (Sharma, 2015). With a ubiquitous global presence, it is of little surprise that the study of family business has captured the interest of scholars from multiple disciplinary backgrounds (Melin et al., 2014).

Family businesses are defined, theoretically, as businesses “governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families” (Chua et al., 1999: 25). According to Yu, Lumpkin, Sorenson, and Brigham (2012), the involvement of the family within the business and the idiosyncratic goals of the family are what make the family enterprise unique (e.g., Gersick et al., 1997). Family firms are comprised of a family system that is at least partially governed by emotional relationships, and a business system that is subject to the economic logic of the market. Complexity emerges when these two systems are overlaid, resulting in substantial heterogeneity (Cohen and Sharma, 2016; Stewart, 2003). Given this complexity and heterogeneity, much remains to be studied about the causes and consequences of family firm behavior (Dyer et al., 2014; Gagné et al., 2014). Of particular importance is understanding how the family contributes to family firm performance (Basco, 2013; Dyer and Dyer, 2009).

To address these issues, numerous theoretical perspectives have been used including, but not limited to, agency and stewardship (Madison et al., 2016), transaction cost economics (Verbeke and Kano, 2012), institutional (Leaptrtott, 2005), social identity (Canella et al., 2015), and planned behavior (Koropp et al., 2014). Calls are made to expand the theoretical repertoire to include disciplines such as family science (Jennings et al., 2014), sociology (Martinez and Aldrich, 2014), and economics (Shukla et al., 2014), to name a few. While the topics of intergenerational succession (Daspit et al., 2016) and governance (Gersick and Feliu, 2014; Goel et al., 2014) have received the most scholarly attention, at this stage of evolution, the field is wide in scope and shallow in depth, leaving exciting research opportunities for scholars from different disciplinary perspectives (Zahra and Sharma, 2004).

Although studies have been conducted at various levels of analyses, including the individual and group (Sharma, 2004), the focus of this special issue is on the strategic influences and implications of the family’s involvement
within the family firm. This perspective is valuable given the potential to contribute to understanding the causes and consequences of family firm behavior, an understanding that is of fundamental concern to business scholars. In the following sections, the rudiments of a strategic management perspective of the family firm, the articles contained in this special issue, and directions for future research are discussed.

A STRATEGIC MANAGEMENT PERSPECTIVE ON THE FAMILY FIRM

With the rapid growth of research interest on family business studies, scholars in this field have been disciplined in “synthesis” research aimed to take stock of what is known and to direct future research efforts (cf., Boyer, 1990). In an early assessment of the family business literature, Sharma et al. (1997) observed that much more work is needed to understand how various factors might affect firm performance, suggesting a strategic management perspective as a valuable way to advance the field. Some studies recognized this need and noted that although the strategic management process is similar for both family and non-family businesses, to move forward, it is necessary to articulate the distinctive features of family firms and understand how such features affect competitive advantage (Cabrera-Suárez et al., 2001). In a subsequent assessment of the strategic management perspective in family firms, Chrisman et al. (2005) cite evidence that family involvement and influence can affect firm performance, noting the emergence of agency theory and the resource-based view as primary theoretical lenses. In confirmation of this trend, a more recent assessment of the literature by De Massis et al. (2012) suggests that corporate governance, succession, and resources/competitive advantage were the most frequently explored topics.

Since this most recent assessment, business historians have made compelling cases that enterprising families focus on multiple goals to achieve the ultimate objective of survival and longevity (e.g., Colli, 2012; Colli et al., 2013). New theoretical frameworks have surfaced based on a recognition that the distinctive features of family firms appear to be subsumed into differences in goals, governance systems, and strategic resources (Chrisman et al., 2013). For example, with respect to family firm goals, much work has coalesced around the family-centered, non-economic goals that create socioemotional wealth for the family. Relying on behavioral and stakeholder theories, Chrisman et al. (2012) find a relationship between family involvement and the adoption of family-centered, non-economic goals (e.g., family harmony, social status, and identity). The extent to which the firm pursues such goals, however, varies with the family’s intentions to continue the business and commitment to this continuity (De Massis et al., 2016). The pursuit of such goals is likely to result in the accumulation of nonfinancial stocks of socioemotional wealth,
which represents an affective endowment of benefits from, among other things, transgenerational involvement, family control, and family identity (Berrone et al., 2012; Gómez-Mejía et al., 2011; Gómez-Mejía et al., 2007).

Accepted wisdom on the nature of governance within family firms has also evolved. Rather than broad comparisons of family and non-family firms, studies have used a more refined approach to understand differences among family firms. Nordqvist et al. (2014), for example, highlight the heterogeneous governance structures found among family firms and delineate the configurations that result from the various mixtures of family involvement in firm ownership and management. Studies have also investigated the involvement of non-family members in leadership positions. Patel and Cooper (2014) find that the structural power equality among family and non-family members involved in the top management team increases the participation of non-family members, the range of strategic actions, and the overall performance of the firm. Such insights highlight the trajectory of governance research as it moves toward understanding the heterogeneous structures of family firms and the ways in which involvement of non-family members in such structures drives firm performance and competitive advantage.

Among the most notable contributions to theories regarding family firms is the concept of familiness, which represents the unique bundle of resources and capabilities generated from the interaction of the family and business systems (Habbershon and Williams, 1999; Habbershon et al., 2003). Building on the concept, Pearson et al. (2008) offer a model of family firm social capital as a source of familiness that influences the competitive advantage, wealth, and value creation potential of family firms. The process through which familiness creates firm value is expanded by Carnes and Ireland (2013) who detail effects of familiness on the resource bundling process and on firm innovation. Further, Rau (2014) provides a comprehensive review of literature from a resource-based perspective of family firms. Studies such as these, employing a strategic perspective, are examples of developments made within the family firm literature to understand the higher-level resources that result from the family’s involvement.

The goals, governance, and resources of family firms offer insights into the strategic factors that lead to distinctive behaviors and may result in competitive advantage or disadvantage. These factors, however, are somewhat broad and may be further decomposed to take into account specific aspects of the strategic management process itself. As shown in Figure I, a strategic management perspective offers a framework for understanding the interrelatedness of various components of the strategic management process: goal formulation, strategy formulation, strategy implementation, strategic evaluation and control, environmental factors, and outcomes relevant to the family and the firm (Sharma et al., 1997).
Figure I
The Strategic Management Process with Family-specific Influences
Adapted from Sharma, Chrisman, and Chua (1997) (Specific family influences are italicized)
As Figure I illustrates, more studies are utilizing a strategic management approach to understanding the unique, nuanced nature of the family firm. Thus, given the continuing need to advance the study of family business from a strategic management perspective, this special issue is devoted to disseminating studies on some of the strategic issues facing family firms and providing comprehensive directions for future research. The articles included in this special issue are positioned according to fit with the components of the strategic management process and summarized below.

TOPICS AND ARTICLES IN THIS ISSUE

The articles in this special issue were obtained from an open call for papers. After a multi-round, double-blind, peer-review process, three papers were selected for inclusion. Each article highlights unique aspects of the strategic management process, and in two of the studies, relationships among strategic components are explored. Specifically, the articles examine (1) strategic implementation of knowledge and effects on non-economic outcomes, (2) strategic formulation issues related to succession, and (3) effects of non-economic goals on economic outcomes.

Strategic Implementation of Knowledge and Effects on Non-Economic Outcomes

In the first article, Carr and Ring (2017, this issue) empirically investigate the extent to which knowledge integration within family firms affects non-economic value creation. Building on the work of Chirico and Salvato (2008, 2016), who examine the antecedents of knowledge integration and resulting effects on the family firm’s product development capability, Carr and Ring (2017) find that knowledge integration positively influences the non-economic outcomes of family harmony and family satisfaction. Additionally, the codifiability of the knowledge is found to interact significantly with the knowledge integration-family harmony relationship, while transgenerational control intentions positively moderate the effects of knowledge integration on both non-economic outcomes.

This study offers several insights on strategic issues in family firms. First, the findings expand understanding of how knowledge integration among family members in the firm relates to family-centered, non-economic outcomes. Prior studies have examined antecedents of knowledge integration, such as relational competence (Hatak and Roessl, 2015) and commitment to change (Chirico and Salvato, 2008, 2016), or examined the effects of family involvement and intentions on family-centered, non-economic goals (e.g., Chrisman et al., 2012). However, few studies have sought to understand the
direct relationship between knowledge integration and non-economic outcomes.

Second, transgenerational control intention significantly affects the extent to which knowledge integration affects family harmony and satisfaction. Since knowledge integration concerns the process and influence of knowledge exchanges (van Wijk et al., 2008), Carr and Ring’s (2017) findings suggest that transgenerational succession intentions might be associated with shared language and/or empathy among kin that make such exchanges more acceptable and satisfying to family members. These findings not only underscore the importance of transgenerational control goals but also provide a new perspective on why such goals are important to family relationships.

Third, Carr and Ring’s (2017) finding that knowledge codifiability moderates the relationship between knowledge integration and family harmony provides a new perspective on how knowledge creates value. It is generally understood that tacit knowledge, which by definition is difficult or impossible to codify, has a positive influence on economic performance (e.g., Barney, 1991) and that the ability of family firms to create an environment where tacit knowledge can be transmitted or created is a source of competitive advantage (e.g., Cabrera-Suárez et al., 2001). Thus, the idea that easily codifiable knowledge increases family harmony, an essential aspect of non-economic performance in family firms, is at least interesting and possibly a further indication of the importance of effective communication on relationships and processes in family firms (cf., Sharma et al., 2003). This certainly seems like an area that deserves more attention in the future.

Strategic Formulation Issues Related to Succession

The conceptual framework offered by Marler et al. (2017, this issue) offers further insights into transgenerational succession, one of the most commonly studied and important topics in family business research (Daspit et al., 2016). Marler and colleagues examine the micro-foundations of the strategic transfer of power within family firms by theorizing how the (in)congruence of the personality of the incumbent and successor affects leadership role transitions during transgenerational succession. The authors compare various combinations of proactive and passive personality traits of incumbents and successors and note how these relationships might change in contexts where incumbents are ready (or not) for the succession to occur. In all, the authors discuss eight potential situations in terms of those that are most and least likely to result in successful leadership role transitions.

This article offers strategic insight into the heterogeneity surrounding family firm succession. In developing the eight possibilities, the authors aptly highlight the importance of relational exchange as a vehicle for transferring
knowledge. In this case, the readiness of the incumbent and the personality of both the incumbent and successor shape the relational dynamics between those individuals. The authors propose that these dynamics affect the transfer of knowledge between the current and future leaders of family firms and, consequently, the likelihood that the transition of leadership will be effective.

As noted by Carr and Ring (2017), knowledge integration (which occurs via exchange) directly relates to the family's ability to achieve non-economic outcomes. The study by Marler and colleagues (2017) follows a similar path in noting how personality traits underlie relationships and knowledge exchange within the context of leadership transfer. Marler et al.’s (2017) contribution advances family business research by using organizational behavior insights to improve the appreciation of strategic issues within family firms. By doing so, the authors respond to calls in the literature for a richer integration of perspectives that potentially recognizes the multi-level determinants and manifestation of firm-level outcomes (e.g., Gagné et al., 2014; McKenny et al., 2014).

Certainly, the theoretical model of Marler et al. (2017) breaks new ground and deserves to be tested. In addition, interesting opportunities arise to consider the impact on the transition of the successor’s readiness and the congruence of the preferred goals and strategies between the incumbent and successor. Other pertinent questions center on factors determining the willingness and readiness of incumbents and successors. Are these factors purely psychological or do demographic characteristics hold sway? Importantly, researchers should consider how the incumbent or successor’s willingness and readiness are influenced by the skills and attitudes of the other. Indeed, previous work suggests that perceptions of how each party views the succession process may overshadow other factors in determining how the process plays out (Sharma et al., 2003).

Effects of Non-Economic Goals on Economic Outcomes

Naldi et al. (2013) question whether preserving socioemotional wealth is an asset or liability. Debicki, Randolph, and Sobczak’s (2017, this issue) study further extends this area of inquiry by investigating the relationship between the importance of different dimensions of socioemotional wealth and the economic performance of family firms. Debicki et al.’s (2017) study is significant because research has yet to investigate the economic consequences of pursuing goals related to the accumulation of socioemotional wealth (Berrone et al., 2012; Gómez-Mejía et al., 2011). Through an empirical study of Polish firms, Debicki and colleagues (2017) find that the importance of different dimensions of socioemotional wealth can have both positive and negative effects on firm performance. Family prominence and family continuity are positively related...
to firm performance, while family enrichment is negatively associated with financial performance.

The insights gained from this study contribute to knowledge concerning the paradoxical effects of socioemotional wealth on family firm performance. Interestingly, the importance of some aspects of socioemotional wealth, which are indicators of non-economic goals, may enhance the financial wellbeing of the firm while others may undermine the firm’s financial pursuits. Thus, family managers must strategically consider the extent to which trade-offs between economic and non-economic performance are necessary, on the one hand, and the extent to which it is possible to use socioemotional wealth goals to increase or stabilize the economic performance of the firm on the other. Given these findings, interesting areas for future research include investigating (a) the relationship among socioemotional wealth goals, (b) the ways priorities among these goals are established, and (c) the factors that cause relationships and priorities to shift (cf., Vardaman and Gondo, 2014). Furthermore, given that the importance of socioemotional wealth dimensions has varying effects on economic performance, it would be illuminating to know to what extent these relationships are considered in the strategy formulation and implementation processes of family firms (cf., Chrisman et al., 2014). Finally, while researchers are beginning to grasp the importance of how different dimensions of socioemotional wealth influence family firm behavior (e.g., Gómez-Mejía et al., 2011), relatively little is known about the influences of antecedents on those dimensions. Potential paths forward examining antecedents of the dimensions of socioemotional wealth may include exploring family values (e.g., Kammerlander et al., 2015) and legacy intentions (e.g., Hammond et al., 2016). Nonetheless, more work is needed that treats the importance of the dimensions of socioemotional wealth as dependent, rather than independent, variables.

**FUTURE DIRECTIONS**

Each of these studies advances understanding of the strategic management process in family firms. Carr and Ring (2017) examine the impact of important strategic implementation variables on non-economic outcomes, Marler et al. (2017) highlight micro-level issues underlying the succession process, which is linked to strategy formulation, and Debicki et al. (2017) examine the relationship between the importance of socioemotional wealth goals and firm performance. Nevertheless, as suggested above, these studies generate many new questions that need answers. In addition, numerous other research opportunities exist with respect to the strategic management process that these studies have left untouched. Some of these research opportunities are summarized in Table 1, and those with particular promise are discussed below.
<table>
<thead>
<tr>
<th>Strategic Component</th>
<th>Future Research Questions</th>
</tr>
</thead>
</table>
| Goal Formulation    | - Does context effects influence family goal formation (e.g., country, cultural, social effects) and, if so, how?  
- How do non-family owners/managers, strategic partners, external stakeholders, and family members external to the family firm affect the formulation of family and firm goals?  
- How do non-economic goals vary as the firm increases in size and/or engages in professionalization?  
- What mix of family goals is most conducive to successful succession planning, transfer of power, corporate entrepreneurship, dynamic capability development, financial performance, and other strategic factors?  
- How do various types of goals (e.g., socioemotional wealth, social responsibility, transgenerational entrepreneurship) affect other components of the strategic management process? |
| Strategy Formulation| - Do non-family stakeholders influence strategic formulation and/or succession planning? If so, how and when does such influence occur?  
- Is the influence of external stakeholders harmful or helpful to a successful succession process?  
- What family-level factors influence the decision to engage in corporate entrepreneurship, diversification, growth, and/or retrenchment strategies?  
- How do the unique resources and goals of the family firm affect the formulation of marketing, financial, R&D, operations, purchasing, logistics, human resource management, and/or information technology strategies? |
Table 1 (continued)

<table>
<thead>
<tr>
<th>Strategy Implementation</th>
<th>Future Directions for Family Firm Strategic Management Research</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• How can the family firm create a corporate culture of inclusion for non-family managers and employees?</td>
</tr>
<tr>
<td></td>
<td>• How does bifurcation bias affect non-family member job satisfaction, productivity, and turnover as well as firm-level performance?</td>
</tr>
<tr>
<td></td>
<td>• To what extent is bifurcation bias harmful or helpful to family and firm outcomes?</td>
</tr>
<tr>
<td></td>
<td>• What mechanisms can be used to overcome the unequal treatment of bifurcation bias?</td>
</tr>
<tr>
<td></td>
<td>• In what instances, if any, may bifurcation bias be appropriate for the pursuit of family and/or firm-specific goals?</td>
</tr>
<tr>
<td>Strategic Evaluation and Control</td>
<td>• How are non-family managers evaluated, and how do they affect the evaluation of family and firm-centered outcomes?</td>
</tr>
<tr>
<td></td>
<td>• What factors govern strategic changes within the family firm when outcomes are above/below aspirational levels?</td>
</tr>
<tr>
<td></td>
<td>• How does the risk tolerance of the family alter family firm decision-making, and how is risk tolerance affected by multiple generations of family members within the firm?</td>
</tr>
<tr>
<td>Environmental Effects</td>
<td>• How do family firms navigate external jolts/crises?</td>
</tr>
<tr>
<td></td>
<td>• What resources may be most helpful in guiding the family firm through turbulent times?</td>
</tr>
<tr>
<td></td>
<td>• How do family firms adapt to contexts where institutional support is lacking?</td>
</tr>
<tr>
<td>Outcomes</td>
<td>• How are performance, attitudinal, and behavioral outcomes related to each other and to family-centered, non-economic goals?</td>
</tr>
<tr>
<td></td>
<td>• How do dynamic capabilities affect non-economic and other outcomes of the family firm?</td>
</tr>
<tr>
<td></td>
<td>• Does the family firm (re)configure capabilities differently than the non-family firm in order to pursue performance, attitudinal, and behavioral outcomes?</td>
</tr>
</tbody>
</table>
Goal Formulation

While family and non-family firms have both economic and non-economic goals, the latter are more common and more varied in family firms compared to non-family firms. Examination of non-economic goals has emerged as a prominent area of family business research in recent decades given that the extent to which the family accumulates socioemotional wealth via the firm is driven by the non-economic goals of the family. Chrisman et al. (2012) find that the involvement of the family in the firm is positively related to the importance of family-centered, non-economic goals and that this relationship is partially mediated by transgenerational succession intentions and family commitment.

Non-economic goals, however, are not necessarily the same across all family firms. In an attempt to understand the heterogeneity of goals among family firms, Kotlar and De Massis (2013) conduct a qualitative study and offer a conceptual model of how individual and firm-level factors contribute to goal diversity, noting how types of social interactions drive collective commitment to family-centered goals. In another intriguing multi-case study, Kammerlander and colleagues (2015) find that founder-focused stories shared in a family negatively influence innovation, whereas family-focused stories are positively associated with such innovation. These insights begin to untangle the complexity associated with goal diversity and goal setting in family firms; however, more work is needed. For example, generational differences among family members influence how both family-centered economic and non-economic goals are developed, yet the effects of other factors (e.g., non-family owners/managers, strategic partners, external stakeholders, family members external to the family firm) remain to be fully explored.

Strategy Formulation

Strategic formulation relates to the development of a specific strategy designed to carry out firm goals. For family firms, a core family-centered goal is the transgenerational transfer of control. Perhaps because so few firms survive beyond the second and third generations of family control, succession is among the most studied topic in family business literature. Succession is a multi-stage process consisting of planning, training and development of successors, and transferring power (Le Breton-Miller et al., 2004). At each phase of the process, multiple levels of influence and team dynamics affect how the succession process unfolds (Cater III et al., 2016). In a review of the succession literature, Daspit et al. (2016) highlight the exchanges that occur between individual incumbents and successors within the family boundary as well as across the family boundary (i.e., with non-family stakeholders).
However, because numerous individuals and groups across various levels, are involved in the family firm succession process, much remains to be understood about how these actors work together, engaging in various forms of exchange to formulate and execute a successful transgenerational transfer of control. In line with the study by Marler and colleagues (2017), understanding the micro-foundations of succession to predict when and how the transfer of power will occur remains a potentially fruitful area of research. Gagné et al. (2014) note numerous opportunities that exist for studying organizational behavior in the context of family business. Indeed, further investigations of how individual and group-level factors—such as power, trust, conflict, and motivation—manifest to influence the strategic management process are needed.

**Strategy Implementation**

Strategic implementation includes the structure, systems, and processes used to perform activities associated with the execution of strategy (Wheelen et al., 2014). Managers implementing strategic decisions in small family firms composed of same-generation family members may experience less resistance than managers attempting to navigate the complexities associated with a larger firm composed of multiple generations of family members as well as non-family employees (Gersick et al., 1997; Gersick and Feliu, 2014). Although implementing a strategic initiative in any context may encounter resistance, misalignment of goals between family and non-family members in family firms has received attention in recent years because this can be a major source of resistance.

Professionalization is the process through which family firms formalize internal processes and hire nonfamily managers (Stewart and Hitt, 2012). Dekker et al. (2013) identify five dimensions of professionalization, which include financial control systems, non-family involvement in governance systems, human resource control systems, decentralization of authority, and formality in top-level meetings. In that study, family firms are clustered into four types based on professionalization dimensions adopted, confirming previous research pointing to the heterogeneity of family firms (Stewart and Hitt, 2012).

Research notes the difficulties family firms have with professionalization. The underlying assumption (and indeed the reality in some firms) is that family employees are valuable stewards of the firm while non-family employees are self-serving agents. Consequently, family employees are treated altruistically and non-family members are not (Schulze et al., 2001). Verbeke and Kano (2012) refer to such asymmetric practices, which are antithetical to professionalization and effective strategy implementation, as bifurcation bias.
Efforts are under way to understand how some family firms leverage the benefits and mitigate liabilities associated with the altruistic treatment of family employees, sometimes at the expense of non-family employees (Cohen and Sharma, 2016) but more work is needed.

Scholars are beginning to understand how some family firms make the transition to a professionally governed and managed organization (Parada et al., 2010). Classic case studies like Fel-Pro (Ward and Meek, 2005) demonstrate how an American multi-generational manufacturing family business maintains progressive human resource policies amidst global competition. Similarly, professional employees and family champions of change worked closely in the Falck group to successfully exit from the steel industry and enter the renewable energy business after 70 years as the largest privately owned steel producer in Italy (Salvato et al., 2010). By building on these early studies, there are several promising opportunities for research related to professionalization of family firms. For instance, future studies are needed on the mechanisms that are most effective in bridging the gaps created by bifurcation bias, as well as on whether and when investments in such activities yield net benefits for firm and/or family.

**Strategy Evaluation and Control**

Comprehensive reviews of research on financial performance of family firms (e.g., Amit and Villalonga, 2014; Stewart and Hitt, 2012) reveal inconsistent findings which might be attributable to the definitions or measurements used, as well as contextual factors such as location, industry, and institutional environment. Variations in goals and temporal orientation further comparisons of financial performance in family and non-family firms. Pioneering efforts to incorporate context and time into research on strategic evaluation and control of family enterprises are under way (e.g., Michael-Tsabari et al., 2014; Sharma et al., 2014). Methodological challenges and exciting possibilities continue to receive attention (Evert et al., 2016; Payne et al., 2017). For example, Mahto and Khanin (2015) study how performance evaluations occur in family firms, finding that family firms are not substantially different in reactions to positive financial performance from non-family firms but are more risk averse following success. Similarly, Chrisman and Patel (2012) find that when family firm performance falls below aspirations, family owners are more willing to assume risk compared to non-family firms. Both studies note that the strategic evaluation of firm and family-centered outcomes has unique effects on family firms. While studies find that risk tolerance and investments may be altered, future research is needed to understand how other strategic factors are affected when family firm outcomes—both non-economic and economic—are above or below aspiration levels.
When studying “family” involvement in business, more attention will have to be paid to defining the family, classifying types of families, and developing measures to capture variations within and between families over time (Dyer and Dyer, 2009). The relationship between economic and non-economic performance dimensions also needs more theoretical and empirical attention. However, these questions represent only a handful of the interesting possibilities to examine and understand how strategic evaluation and control affects family firms.

Environmental Effects

Contextual factors may also alter how family firms navigate the strategic management process. Although many studies have examined why and how the performance of family firms varies from that of non-family firms, Le Breton-Miller and Miller (2015) suggest the industry in which the firm competes is key given that some family firms have resources that uniquely meet industry-specific demands. For example, in industries with high profit margins, founding family leadership positively affects firm value and profitability (Randøy et al., 2009). Studies also show that family firms tend to perform well during financial crises, despite being less likely to downsize or reduce employee wages (van Essen et al., 2015).

As noted in the discussion of other components of the strategic management process, much remains to be understood about how environmental effects influence the behavior and performance of family firms. While van Essen and colleagues (2015) note that family firms perform well during a financial crisis, how do such firms navigate other types of external crises like regime change in a politically unstable country? What resources may be most helpful in guiding family firms through turbulent times? In this regard, cross-cultural studies may be particularly beneficial to test the boundary conditions of family firm philosophies rooted in Western cultures. More research on how family firms in Asia, Latin America, and Africa negotiate challenging external environments while growing over generations would be useful (e.g., Au et al., 2011; Nordqvist et al., 2011; Sharma and Chua, 2013; Sharma et al., 2015). Such research can open exciting new avenues for testing and refining current theories by modifying the underlying assumptions pertaining to the nature of families, businesses, goals, resources, and strategies.

Outcomes

While many conceptualizations of the strategic management process are aimed at enhancing competitive advantage and improving firm performance, family firms are unique in the pursuit of idiosyncratic family-centered, non-
economic goals (Pearson et al., 2014). The “flows” of family-centered, non-economic goals potentially result in “stocks” of socioemotional wealth (Chua et al., 2015), which produce unique outcomes for family firms. Debicki and colleagues (2017) offer insight into how non-economic goals influence financial performance in family firms; however, more research is warranted to further investigate how family firms balance performance, attitudinal, and behavioral outcomes. How these outcomes are related, and how idiosyncratic family goals influence each type of outcome are questions worthy of study. Furthermore, extending the work of Carr and Ring (2017), more needs to be known about how dynamic capabilities, such as knowledge integration, affect attitudinal, behavioral, and economic outcomes in family firms.

**CONCLUSION**

Building on prior stocks of strategic management insights with respect to family firms (Chrisman et al., 2005; De Massis et al., 2012; Sharma et al., 1997), the purpose of this special issue is to investigate strategic issues facing family firms and assess recent strategic management developments within the field. The three articles presented in this issue investigate varied components and combinations of factors associated with the strategic management process. Advancements in family business research are discussed and future research directions proposed.

The study of family business is growing exponentially whether viewed through the metrics of journal space devoted to research on this organizational form, faculty positions and programs at institutions of higher education, or researchers and advisors joining the field. While young in age, the field of family business has come a long way in the last three decades. Reflecting on the field’s journey and current situation, John Ward, a pioneering scholar of the field noted in a recent interview (Moores, 2016):

“In the early days I was eager to normalize the challenges of family business success and continuity and to champion the special contributions family businesses bring to our society. I hoped to encourage family business owners to take pride in their “specialness.” .... I was focused on understanding family businesses from a strategic perspective. How did they do business differently? What were the common challenges they faced? How was all that reflected in their performance, their culture, and their personal visions? I was impressed by how they were driven by values and purpose and how their insecurities and modesty often undermined their creative insights and passion for what they were doing. Once they felt valued, huge transformations took place.”
“[Today] The arena of family enterprise has become a glorious laboratory to debate long-held beliefs and theories of organization. Many have seen this opportunity. They have tested conventional theories and proven new paradigms. It’s only beginning. *Family Business Review* has made such efforts credible. Happily, we’re now in a positive spiral.”

Although the progress made is impressive, many challenges and opportunities remain. Given the field’s status and future prospects, the exhortation of Zahra and Sharma is even more relevant today: “this is a great time to be studying family firms” (2004: 331).

### APPRECIATION

Appreciation is given to the following individuals for providing reviews of manuscripts submitted to this special issue:

Frank Barbera, University of Adelaide, Australia  
Jorn Block, University of Trier, Germany, and Erasmus University, Netherlands  
Keith Brigham, Texas Tech University, USA  
Francesco Chirico, Jonkoping International Business School, Sweden  
Cristina Cruz, I E Business School, Spain  
Hermann Frank, Vienna University of Economics and Business, Austria  
Sanjay Goel, University of Minnesota Duluth, USA  
Nadine Kammerlander, WHU-Otto Beisheim School of Management, Germany  
Dmitry Khanin, Nazarbayev University, Kazakhstan  
Aaron McKenny, University of Central Florida, USA  
Rob Nason, Concordia University, Canada  
Onnolee Nordstrom, University of Alberta, Canada  
Salvatore Sciascia, IULM - Milan, Italy  
Philipp Sieger, University of Bern, Switzerland  
Lorraine Uhlaner, EDHEC Business School, France  
Wim Voordeckers, Hasselt University, Belgium  
Andy Yu, University of Wisconsin Whitewater, USA

### ACKNOWLEDGEMENTS
The guest editors of this special issue wish to thank the previous editor of the *Journal of Managerial Issues*, Bienvenido Cortes, for understanding the vision of the guest editors and accepting the proposal for the special issue. Further, the guest editors are thankful for the generous support from the current editor, Eric Harris, and Assistant Editor Irene Robinson. Additionally, all authors who submitted manuscripts for consideration are acknowledged for their support of this special issue and their interest in furthering the study of family business.

REFERENCES


Carr, J. C., and J. K. Ring. 2017. “Family Firm Knowledge Integration and
Noneconomic Value Creation.” *Journal of Managerial Issues* 29(1).


Gómez-Mejía, L. R., K. T. Haynes, M. Núñez-Nickel, K. J. L. Jacobson, and J.


Patel, P. C., and D. Cooper. 2014. “Structural Power Equality between Family
and Non-Family TMT Members and the Performance of Family Firms.”


Family Firm Knowledge Integration and Noneconomic Value Creation

Jon C. Carr  
North Carolina State University  
jon.carr@ncsu.edu

J. Kirk Ring  
Louisiana Tech University  
kring@latech.edu

Family firm literature hinges upon the overarching assumption that the involvement of a group of individuals who are members of the same family will alter firm operations. The desires and aspirations of the family entity result in the development of noneconomic goals which differ substantially in magnitude and nature from noneconomic goals in nonfamily firms (Chrisman et al., 2003; Chrisman et al., 2013; Gomez-Mejia et al., 2007). The influence of family centered goals on systems of governance and the accumulation of resources has received attention, yet additional work remains. In one such study, Chrisman et al. (2013) develop a framework and explore the goal formation and setting process, how noneconomic goals affect decision-making, and the relationship between noneconomic goals and resource acquisition. The authors conclude that identification of the antecedents affecting how family firms perform on noneconomic goal metrics, rather than only studying the consequences of having such goals, is important to advance the field and that various theoretical approaches should be considered.

The successful attainment of noneconomic goals within family firms is proposed as part of the organizational learning process, and the theoretical underpinnings of the knowledge-based view (Chirico and Salvato, 2008; Chirico and Salvato, 2016; Zahra et al., 2007) provides a specific, employable approach to study this segment of organizational learning. An important
concept within the knowledge-based view of the firm is the ability of a firm to integrate knowledge internally, since this allows the organization to realize the latent value of such knowledge (e.g., Eisenhardt and Santos, 2002). Several attributes of knowledge, including the characteristics of individuals participating in the process, may enhance or obstruct the ease of knowledge mobility. Recently, authors have attempted to better understand how distinctive features of family businesses are reflected in the ways knowledge is transferred and integrated through time and potentially amongst generations of the controlling family. In 2008, Chirico and Salvato provided a theoretical model of knowledge integration in family firms to explain the development of dynamic capabilities as they are affected by knowledge integration. The authors successfully tested their model (Chirico and Salvato, 2016) as a way to explain product development in family firms and show how knowledge integration relates to dynamic capabilities within family firms. Chirico and Salvato’s (2008) conceptualization of knowledge integration aligns well with successfully meeting noneconomic goals of family firms, yet their model does not fully capture contextual relationships as outlined in existing knowledge-based and family firm theorizing. To that end, a critical extension of research on the attainment of noneconomic goals in family firms is to complement and expand the Chirico and Salvato (2008; 2016) model by studying how knowledge integration affects the attainment of noneconomic goals. Thus, the purpose of this study is to answer the following research question, “How does the integration of knowledge in the family firm affect the firm’s ability to meet noneconomic goal performance expectations?”

The findings contribute to three areas of literature simultaneously: family business, organizational knowledge, and firm performance. First, the work enhances these literatures by introducing the knowledge-based view and knowledge integration as a mechanism to explain a family unit’s performance on noneconomic goals in family firms. Understanding how noneconomic goals are realized is important for family firms because the attainment of these goals can oftentimes be more difficult and costlier than the attainment of financially based economic goals (Beckhard and Dyer, 1983). Additionally, it is important to understand how these types of goals are achieved, because their realization allows for the accumulation of socioemotional wealth, the nonfinancial part of family firms that is believed to be a defining characteristic (Gomez-Mejia et al., 2007). Second, findings contribute to the literature on knowledge integration in family firms by expanding Chirico and Salvato’s (2008; 2016) model. The theoretical model aims to predict a family firm’s ability to integrate and transfer the path dependent, idiosyncratic knowledge developed within their family and, in turn, create noneconomic value for the family unit.

In the current study, knowledge integration is proposed to positively affect two commonly identified noneconomic goals in family firms: family harmony
FAMILY FIRM KNOWLEDGE AND VALUE

and family satisfaction. These goals were selected owing to their commonality and importance in family businesses (Sharma et al., 2001), as well as their deleterious effects on the family and the business if not attained. Attainment of these goals is a form of noneconomic performance, and thus contributions are made to literature on performance and family firms with this analysis. Further, two contextual factors are introduced as moderators of these relationships. The level of intent exhibited by the family to pass down the firm to a family member and the level of codifiability of the knowledge being integrated amongst family members is proposed to magnify the positive relationship between knowledge integration and the attainment of family harmony and family satisfaction. Studying the variance in transgenerational control intentions of family firms provides a final contribution to the family firm literature because it shows how the heterogeneity of this organizational form is manifested through organizational action. Subsequently, the model is tested with a national sample of 158 family businesses in the United States, and the results are presented. The theoretical background associated with this effort is provided below.

LITERATURE REVIEW AND THEORETICAL DEVELOPMENT

Knowledge Integration

As explained by van Wijk et al., organizational knowledge integration refers to “the process through which organizational actors – teams, units, or organizations – exchange, receive and are influenced by the experience and knowledge of others” (2008: 832). Organizations can facilitate knowledge integration through knowledge acquisition (Lyles and Salk, 1996) or knowledge sharing (Hansen, 1999), but antecedents to this process may affect the ability of the organization to successfully capture its value. Szulanski (1996) found that knowledge integration might be impeded by the causal ambiguity or codifiability of the knowledge being integrated, the establishment of quality personal interactions between the source of knowledge and the recipient of knowledge, and a lack of absorptive capacity of the recipient. Simonin (1999) narrowed this research to the antecedents of the ambiguity of knowledge, which included tacitness, specificity, and complexity, and found that ambiguity had a negative effect on knowledge transfer and integration. As such, the codifiability of knowledge has proven to be a major area of concern when seeking its effective integration, and the most basic distinction is between explicit and tacit knowledge.

Explicit knowledge is knowledge which has the ability to be codified or stored in such a way that it can be easily transferred without knowing any specific context to which it relates. Most commonly explicit knowledge can be found in standard operating procedures, manuals, human resource
documentation, etc. Alternatively, tacit knowledge lacks the characteristics necessary to be properly codified into a common language or formalized so that it can be easily transferred. Typically, tacit knowledge is derived from the personal experiences and through interaction with others, which makes it highly context specific (Teece, 1998). Thus, research has found that the characteristics of the knowledge being transferred have a profound effect on the ability of the sender and recipient to transfer and integrate this knowledge.

In addition to the fundamental characteristics inherent to knowledge processes, the relationship between the sender and the recipient during knowledge transfer is important for effective knowledge integration to occur. Szulanski (1996) found that if the sender and recipient struggle to develop strong interpersonal interactions, then knowledge transfer and integration would not occur properly. This issue may be exacerbated when the knowledge is characterized as tacit in nature. Since the transfer of tacit knowledge is known to be more difficult owing to its complexity and lack of codifiability, even stronger relationships with repeated, and typically face-to-face, interactions are necessary for effective transfer (Hansen, 1999).

Existing research has empirically linked knowledge transfer and integration to capabilities and economic performance in businesses. Zahra et al. (2007) found that formal and informal knowledge sharing practices were positively associated with technological capabilities in family firms and that family involvement positively moderated this relationship. Some evidence is also mounting to suggest that internal knowledge transfer and integration between organizational units provides firms with competitive benefits (e.g., Schulz, 2001). This is similar to the recent internationalization research by Zhong, Peng, and Liu (2013), where they established that firms with higher amounts of experience cooperating with international partners and increased levels of knowledge integration resulted in stronger international performance by these firms. Thus, the literature on knowledge integration shows that in some instances performance can be increased when the acquired or developed idiosyncratic knowledge within firms is leveraged effectively.

The Relationship of Knowledge Integration to Noneconomic Goals in Family Firms

The most rudimentary understanding of what distinguishes family businesses from non-family businesses is the family unit’s influence over the operations of the firm. The family unit utilizes its unique set of aspirations, goals, and vision to make decisions. This implies that the influence of the family determines how resources are utilized to create a competitive advantage in the marketplace. Similar to Zahra et al.’s (2007) finding that family influence moderates the positive relationship between formal and informal knowledge
sharing practices and a family firm’s technological capabilities, the family unit has the ability to shape the firm in ways that can meet the economic goals of the business while at the same time potentially meeting the noneconomic goals of the family. Although, when considering the vast amount of idiosyncratic knowledge that must be transferred and integrated by the family unit to meet their noneconomic goals, one must take into account the antecedents that may affect this knowledge process.

Chirico and Salvato (2008) developed a model that illustrated several antecedents to what they referred to as “knowledge integration among family members.” Knowledge integration was described as a collective process where various organization members recombine different pieces of specialized knowledge. The authors identified three components that result in knowledge integration: (1) internal social capital, which is the development of a particular resource that encourages the ability to integrate knowledge; (2) relationship conflict, which represents potential obstacles to the integration of knowledge; and (3) affective commitment by the parties involved to willingly transfer knowledge that has been developed within the firm over time. Subsequently, Chirico and Salvato (2016) empirically test their theoretical model by studying knowledge integration as it relates to product development in family firms, with product development representing a dynamic capability. Their findings were consistent with previous work and therefore the relationships between knowledge integration and its antecedents, and the relationship between knowledge integration and dynamic capabilities, is established.

Evidence indicates that effective knowledge transfer and integration has positive effects on company performance and provides competitive benefits (Steensma and Lyles, 2000; van Wijk et al., 2008; Zhong et al., 2013). Integrating and transferring knowledge impacts organizational capability development, and these capabilities are valuable because they are difficult to imitate (Szulanski, 1996). Steensma and Lyles (2000) found that in international joint ventures, performance increased when knowledge transfer was supported by strong relationships and minimal conflict. This was particularly true when the knowledge being transferred was tacit in nature and highly context specific. Owing to knowledge integration’s positive relationship with performance, effective knowledge integration will also affect performance on noneconomic goals associated with family firms, to include the level of harmony perceived among family members, and the degree to which successful knowledge integration encourages satisfaction with the family unit (Royer et al., 2008).

Noneconomic goals of the family firm that have received attention from the knowledge-based view include family harmony (e.g., Astrachan and Jaskiewicz, 2008; Chrisman et al., 2003), the perpetuation of family values (e.g., Lansberg, 1983), as well as the desire to provide family members with employment, a particular standard of living or lifestyle, and work and family
satisfaction (e.g., Miller and Le Breton-Miller, 2006). Family harmony and family satisfaction are of particular importance to study through the lens of the knowledge-based view because each of these noneconomic goals has been described as key to firm success. Chua et al. (1999) state that family business governance structures imply a shared vision and responsibility to implement that vision throughout the organization over time and generations. These families hold a vision to create a better future for their family and they use the business as a vehicle to achieve the vision (Chua et al., 1999). When firms lack family harmony or family satisfaction, it is less likely that these firms will be persistent in the pursuit of the shared vision of the company. Prolonged dissatisfaction with the family firm and growing family disharmony may result in rudderless decision-making, dysfunctional uses of power, and a lack of interest in continuing the business (Sharma et al., 2001).

Creating a harmonious atmosphere and developing family satisfaction requires strong interpersonal relationships and significant amounts of repeated face-to-face interactions. The knowledge-based view (Hansen, 1999) accounts for these types of relationships in regards to the effective transfer of knowledge. With quality, repeated interactions amongst family members, the ability to understand, transfer, and integrate knowledge necessary to create family harmony and satisfy family members may result in a competitive advantage leading to family firm survival (Poza et al., 2004; Sharma, 2004).

Thus, an extension of the Chirico and Salvato (2008; 2016) model for knowledge integration’s effect upon the development of dynamic capabilities in family firms offers the opportunity to assess the performance of family firms along these noneconomic goals. Owing to Chirico and Salvato’s (2016) prior work empirically analyzing the antecedents to knowledge integration, the focus herein remains upon this new relationship between knowledge integration and noneconomic goals. Stated formally:

\[ H1a: \text{Knowledge integration positively affects the attainment of family harmony in family firms.} \]

\[ H1b: \text{Knowledge integration positively affects the attainment of family satisfaction in family firms.} \]

Knowledge Codifiability as a Moderating Influence

Advancing the work of Chirico and Salvato (2008), the characteristics of the knowledge being transferred will have a profound effect upon the success of its eventual transfer. Therefore, the model proposed herein sees the knowledge itself as important in the process of knowledge integration, rather than focusing exclusively upon the characteristics and relationships of the individuals who are actors within the process. Prior work is extended by developing family firm
specific arguments based upon the research on explicit versus tacit knowledge, which has been highly important to the knowledge-based view literature.

As stated previously, knowledge is typically differentiated as explicit or tacit in nature, where explicit knowledge represents knowledge that can be codified for easy transfer and tacit knowledge represents knowledge that lacks the characteristics necessary for proper codification and, in turn, hinders transfer. In family firms, vast amounts of tacit knowledge are created over time from the intensity of interaction among family members within and external to the business. This knowledge may be represented by a common language, processual know-how, or may reflect explicit management practices that are important as part of the management and succession process of the family firm (e.g., Giovannoni et al., 2011). Hansen (1999) explained that considerably strong relationships with extensive interaction would need to be present to facilitate the transfer of tacit knowledge and this is even more important when adapting knowledge to highly context specific practices. This is especially true in consideration of the ways family firms can create harmonious relationships when multiple generations of family members are actively working in the firm. It appears quite easy for negative feelings amongst one generation of family members to persist on to the next generation, and therefore, it may be important to develop ways to mitigate similar adverse issues. Nonfamily firms could also receive benefits from increased codification of information, but in family firms it may be much more important owing to the consequences of business failure. From an economic standpoint, when a family firm fails it has the potential to affect multiple family members’ livelihood and ability to maintain their current standard of living. In nonfamily firms, if the business fails and an individual loses their job, the remainder of the extended family will not be materially affected in most situations. From a noneconomic standpoint, if a family firm is unable to successfully create family harmony and family satisfaction it could result in significant, long-term problems for family relationships. This potential is not present in nonfamily firms.

Codification of processes for multi-generational communication or successful conflict resolution within a specific group of family members can assist in the transfer and integration of this knowledge. Evidence of the need for increased interaction and codification can be seen in the activities of advisors to family firms. Very often, family firm advisors encourage family meetings which have the intent of strengthening communication skills and personal relationships, as well as unify the focus and vision of members of the controlling family. These meetings, along with additional actions taken by the family, can serve as a means to facilitate the development of specific, codified ways to overcome family conflict and thereby increase family harmony and family satisfaction. Not surprisingly, family meetings have also been found to increase firm survival (Kelly et al., 2000).
Owing to the difficulties of transferring tacit knowledge, the increased codifiability of knowledge will ease knowledge integration and, in turn, magnify the positive relationship between knowledge integration and family harmony and family satisfaction. When family firms find ways to codify context specific, tacit knowledge that reduces conflict and increases relationship quality, they will in turn be more capable of transferring this knowledge and meeting their noneconomic goals. Thus:

\[ H2a: \text{Knowledge codifiability positively moderates the relationship between knowledge integration and family harmony.} \]

\[ H2b: \text{Knowledge codifiability positively moderates the relationship between knowledge integration and family satisfaction.} \]

**Transgenerational Control Intentions as a Moderating Influence**

In family firms where performance on noneconomic goals are considered part of success, knowledge transfer and integration has been mostly discussed in the context of succession processes. Recently, Hatak and Roessl (2015) tested how relational competence-based knowledge transfer within family firms affects succession. The authors focus upon the relationship between the predecessor and the successor, which includes both characteristics and attitudes of each individual. They conducted a laboratory experiment and concluded that the perception of risk involved in transferring knowledge, the propensity to trust who knowledge was being transferred to, and the relational competence of the predecessor and successor would affect knowledge transfer. Succession has also received attention from knowledge transfer scholars when considering who may be the most likely successor in the firm. Royer et al. (2008) found that tacit knowledge combined with a favorable transaction atmosphere leads to the selection of a family member as the most appropriate successor. They describe a favorable transaction atmosphere as an atmosphere based upon mutual trust and honesty, which is often found inside of family firms with lower levels of relationship conflict.

The desire to maintain control of the business by the family has received attention in the literature (Chua et al., 1999), but in most instances this desire is perceived as a static yes/no characteristic that all family firms possess. In a recent study by Zellweger et al. (2012), the authors found that transgenerational control intentions (TCI), described as the intent to pass down the business to a family member during succession, had a positive effect on the perceived acceptable selling price of a family business. Their findings established empirically that the desire to pass down the business to a family member varies amongst family firms and that this variance has potential effects and implies that the vision to create a better future for the family unit of a family firm may
be more or less important depending on the family and their situation. Additionally, within their study, the selling price of the family business was conceptualized as a representation of socioemotional wealth (a multidimensional construct developed to embody noneconomic goals).

In consideration of this literature, the degree to which the family firm intends to maintain family control of the firm in the future will have an effect upon the relationship between knowledge integration and the attainment of family harmony and family satisfaction. In many instances, family firms will tie their firm’s reputation to the reputation of the family, create marketing plans based on the designation of being family owned (Craig et al., 2008), and state explicitly within corporate documents, such as the vision and mission statements, that the firm will remain a family business in the future. These firms exhibit strong organizational identification with the family ownership governance structure (Zellweger et al., 2010). When family firms espouse significant focus on maintaining family firm status, and in turn have strong TCI (Zellweger et al., 2012), it is imperative that they are able to create processes that increase family harmony and family satisfaction. This is particularly true in family firms where multiple family members in the next generation are vying for eventual control of the firm. The need for family harmony or family satisfaction may not be as significant when family firms exhibit a lack of intense desire to pass down the business to the next generation of family members. In this scenario, family harmony and family satisfaction do not pose as strong of a potential to reduce the survivability of the firm.

Thus, the level of TCI held by the family unit will positively moderate the relationship between knowledge integration and the attainment of noneconomic goals. Therefore, when families have strong intention to maintain ownership and control of a firm, the relationship between knowledge integration and family harmony and family satisfaction will be magnified. Stated formally:

\[ H3a: \text{Transgenerational control intentions positively moderates the relationship between knowledge integration and family harmony.} \]

\[ H3b: \text{Transgenerational control intentions positively moderates the relationship between knowledge integration and family satisfaction.} \]

**METHOD**

The two-wave sample was collected as part of a larger data collection from a sample of family business owners and founders within the United States from MarketTools, a for-profit organization which provides panels for market research. A sample of respondents was purchased from the MarketTools subsample focused on family business owners/founders. Considerable research
has demonstrated the utility and generalizability of market panel data
collections, to include research in organizational behavior and human
resources (e.g., Piccolo and Colquitt, 2006) and recent research within the
family business context (Carr et al., 2011). MarketTools provided panelists
compensation to participate in the two online data collections.

In order for the data collection to only reflect family businesses, a series of
screening questions was used. First, ownership status was screened, such that
the respondent was either a founder, co-founder, spouse of a founder, or a first-
or second-generation owner of the business who served as a key decision-maker
for the firm. Next, potential respondents were asked, “Do you consider your
firm to be a family business; and is there a hope or desire that a family member
will have leadership control of the business in the future?” The final screening
question eliminated businesses with less than five employees, to prevent the
sample from including sole proprietorships and individual partnerships.
Session identification numbers were obtained to assist in the follow-up
matching survey, which was administered nine months subsequent to the initial
questionnaire. The initial survey was used to capture the independent variables,
as well as control variables, for the study.

Using session identification numbers, a second data collection that
captured the dependent variables was purchased from MarketTools, and
respondents were matched to their prior session identification numbers. This
data collection produced matched responses from 158 family firm respondents,
with an average firm age of 17.74 years. Respondents had an average of 13.44
years of prior work experience in their current business’ industry. Overall, the
sample comprised 65% males, with the majority having at least some level of
college education. Firms covered 17 different industries, with the most
common industries being retail trade and manufacturing. By using a lagged
research design, a separation from the independent and dependent variables
was possible, thus allowing for some level of causality to be demonstrated within
the results.

To address representativeness of the sample, demographic characteristics
were obtained for the panel from the survey firm, and nonparametric frequency
distribution analyses were conducted. The results indicate that the sample
demographics are not significantly different from the overall panel for gender
($\chi^2 = 0.12, p = n.s.$) and race ($\chi^2 = 6.98, p = n.s.$). For respondent age, a $t$-test
was conducted between the sample mean age and the overall panel’s mean age.
Results indicate that there is no significant difference. These results suggest
that the sample reflects the overall panel of business owners in terms of these
key demographic characteristics.
Independent Measures

Unless otherwise stated, all variables were measured using a five-point Likert agreement scale, with “1” reflecting a “strongly disagree” response and “5” reflecting a “strongly agree” response. A description of these measures is provided below.

The main independent effect measure of knowledge integration used for this study represents a modified measure using six items initially used by Collins and Smith (2006) to capture knowledge exchange and combination. This six item scale was modified to reflect the family business context. An example item for this scale was “Family members who work in this firm see the benefits from exchanging and combining ideas with one another.” Cronbach’s alpha for the six item scale was 0.92.

To capture the degree to which the knowledge transferred and integrated is codifiable, Reagans and McEvily’s (2003) five-item measure of knowledge codifiability was used. An item for this scale was “Standardized procedures for how family members should address potential problems could be easily developed.” Cronbach’s alpha for the five-item scale was 0.85. To capture transgenerational control intentions, five items were used to capture the degree to which it was the intention of the family business owners to have family member(s) be chosen as successors. These items were: “Management successors should be chosen from family members of our firm owners,” “It is important that children of family owners are interested in our products and markets,” “The founder generation of our firm should always have a formal role in the business,” “The business is stronger with family members involved,” and “Ownership should only be transferred to members of the family.” Cronbach alpha for this scale was 0.92.

Dependent Measures and Controls

Two established scales were used to capture the dependent variables. Family harmony was measured on a seven-point Likert agreement scale using four items by Beehr et al. (1997). An example item was “The family members who are involved in this business seem to get along with each other better than most families do.” Cronbach’s alpha for this scale was 0.90. Family satisfaction was measured using a five-point Likert satisfaction scale measure by Mills and colleagues (1992). This scale consisted of four items. An example item was “How satisfied are you with your relationship with your family?” Cronbach’s alpha for this scale was 0.91.

Several variables were included as control variables in the analyses. Firm age was calculated by subtracting the study year from the year founded. Respondents were asked to provide the total number of employees at their
primary business location. These two variables were used to control for firm-
level characteristics. The approach taken by Chrisman et al. (2009) was used to
create two dummy variables to control for industry effects. Specifically, dummy
variables were created for manufacturing (manufacturing = 1 and non-
manufacturing = 0) and for trade and services (retail, wholesale, and services
= 1, other = 0). Finally, a dummy variable was created to control for the status
of the respondent. If the respondent was a founder of the firm, or founder-
owner, the dummy variable was coded as “1.” If the respondent was a second
or subsequent generation owner, the dummy variable was coded as “0.” Table
1 provides means, standard deviations, and correlations of the control and
study variables.

Exploratory and Confirmatory Factor Analyses

Exploratory factor analysis (EFA) using SPSS and confirmatory factor
analysis (CFA) using LISREL were used to assess item dimensionality for the
multi-item constructs. A principal components analysis was conducted, with
varimax rotation to evaluate the items. The EFA resulted in five factors being
extracted with each item loading on its proposed construct. With regards to the
CFA, the proposed model represents a five-factor solution in which the items
load appropriately on their respective constructs. Given the sample size of 158
respondents, results indicate that the five-factor model had a significant $X^2$ test
with fit statistics within generally accepted rules-of-thumb ($X^2 [242] = 367.62, p
<0.01, CFI = 0.98, RMSEA = 0.05, RMR = 0.07$).

To assess the discriminant validity of the measured items, the five-factor
model was evaluated using procedures outlined by Fornell and Larcker (1981).
Using the output from the five-factor solution, the average variance explained
for the five variables ranged from 0.69 to 0.85. The average variance explained
exceeded comparative values within the phi matrix associated with the five-
factor model, which suggests that the explained variance exceeded the
measurement error present within the items, suggesting that the variables did
reflect distinct constructs.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>s.d.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Firm age</td>
<td>17.74</td>
<td>14.18</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Org. status dummy</td>
<td>0.87</td>
<td>0.33</td>
<td>-0.49**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Manufacturing dummy</td>
<td>0.23</td>
<td>0.42</td>
<td>0.15</td>
<td>-0.25**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Services dummy</td>
<td>0.41</td>
<td>0.49</td>
<td>-0.09</td>
<td>0.13</td>
<td>-0.45**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Num. of employees</td>
<td>72.62</td>
<td>290.30</td>
<td>0.06</td>
<td>0.04</td>
<td>-0.07</td>
<td>0.08</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Know. integration</td>
<td>4.05</td>
<td>0.69</td>
<td>0.02</td>
<td>0.26**</td>
<td>-0.07</td>
<td>0.06</td>
<td>0.10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Know. codifiability</td>
<td>3.63</td>
<td>0.87</td>
<td>-0.32**</td>
<td>0.24**</td>
<td>0.16*</td>
<td>-0.04</td>
<td>0.14</td>
<td>0.37**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Transgen. control</td>
<td>3.89</td>
<td>0.71</td>
<td>-0.17*</td>
<td>0.15</td>
<td>0.00</td>
<td>-0.09</td>
<td>0.13</td>
<td>0.56**</td>
<td>0.49**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Family harmony</td>
<td>4.98</td>
<td>1.21</td>
<td>-0.12</td>
<td>0.15</td>
<td>-0.11</td>
<td>0.08</td>
<td>0.08</td>
<td>0.32**</td>
<td>0.32**</td>
<td>0.41**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Family satisfaction</td>
<td>3.94</td>
<td>0.87</td>
<td>-0.05</td>
<td>0.21**</td>
<td>-0.18*</td>
<td>0.14</td>
<td>0.04</td>
<td>0.37**</td>
<td>0.23**</td>
<td>0.47**</td>
<td>0.67**</td>
<td></td>
</tr>
</tbody>
</table>

* p < 0.05, ** p < 0.01
### Table 2

**Main and Moderating Effects of Study Variables on Family Harmony**

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
<th>Model 6</th>
<th>Model 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm age</td>
<td>-0.01</td>
<td>-0.01</td>
<td>-0.01</td>
<td>-0.01</td>
<td>-0.01</td>
<td>-0.01</td>
<td>-0.01</td>
</tr>
<tr>
<td>Org. status dummy</td>
<td>-0.07</td>
<td>-0.25</td>
<td>-0.26</td>
<td>-0.24</td>
<td>-0.21</td>
<td>-0.17</td>
<td>-0.15</td>
</tr>
<tr>
<td>Manufacturing dummy</td>
<td>-0.10</td>
<td>-0.08</td>
<td>-0.01</td>
<td>-0.01</td>
<td>-0.02</td>
<td>0.01</td>
<td>0.02</td>
</tr>
<tr>
<td>Services dummy</td>
<td>0.10</td>
<td>0.05</td>
<td>0.16</td>
<td>0.17</td>
<td>0.25</td>
<td>0.23</td>
<td>0.28</td>
</tr>
<tr>
<td>Number of employees</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Knowledge integration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Know. codifiability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Know. integration x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transgenerational control</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Know. integration x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transgenerational control</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.03</td>
<td>0.14**</td>
<td>0.19**</td>
<td>0.22**</td>
<td>0.25**</td>
<td>0.28**</td>
<td>0.30**</td>
</tr>
<tr>
<td>Change in $R^2$</td>
<td>0.12**</td>
<td>0.05**</td>
<td>0.04*</td>
<td>0.11**</td>
<td>0.03*</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Values shown are unstandardized coefficients. Study variables standardized prior to entry.

* $p < 0.05$, ** $p < 0.01$, two tailed.
RESULTS

A series of regressions was conducted to test the main and moderating relationships between knowledge integration, knowledge codifiability, TCI, and the outcome variables (H1a – H3b). Table 2 indicates the results associated with family harmony as a dependent variable.

Hypothesis 1a predicted that there would be a significant, positive relationship between knowledge integration and family harmony. Results shown in Table 2, Model 2, support this hypothesis ($B = 0.41$, $p < 0.01$). Hypothesis 2a predicted knowledge codifiability would positively moderate the main effects, such that effects would be stronger at higher levels of knowledge codifiability. Results shown in Table 2, Model 4, also support this hypothesis ($B = 0.26$, $p < 0.05$). Finally, Hypothesis 3a predicted that TCI would also positively moderate the relationship between knowledge integration and family harmony. In Table 2, Model 6, support is found for this hypothesis as well ($B = 0.19$, $p < 0.05$). In a nutshell, knowledge codifiability and transgenerational control intentions are noted to be important contextual conditions associated with knowledge integration and subsequently family harmony.

Somewhat similar results are found when examining family satisfaction as an important noneconomic goal of family firms. For Hypothesis 1b, the main effect relationship of knowledge integration on family satisfaction was tested. Results provided in Table 3, Model 2, support this hypothesis ($B = 0.25$, $p < 0.01$). The moderating effect of knowledge codifiability is then included to test Hypothesis 2b, yet no support is found for the predicted hypothesis indicated in Table 3, Model 4 ($B = 0.12$, $ns$). Finally, results shown in Table 3, Model 6, indicate support for the moderating effect of TCI perceptions on family satisfaction ($B = 0.14$, $p < 0.05$). All main and moderating effects are included in both tables in Model 7.

To highlight results in graph form, significant interactions obtained from the analyses are plotted in Figures I-III, a simple slope analyses was conducted regarding the nature of the interaction. The graph of the interactions of knowledge integration with codifiability and transgenerational control intentions are depicted in Figures I and II. Results indicate for those individuals who perceive higher knowledge integration, higher levels of knowledge codifiability increased their likelihood of perceiving higher family harmony ($t = 4.10$, $p < 0.01$). For individuals who described lower levels of codifiability, there was no significant impact on family harmony perceptions ($t = 0.20$, $n.s.$). Regarding the effects of transgenerational control intentions, the results were similar. For higher levels of knowledge integration, individuals with higher levels of TCI perceived significantly increased levels of family harmony ($t = 2.23$, $p < 0.05$). No significant effect was found for low TCI ($t = 0.71$, $n.s.$).
<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
<th>Model 6</th>
<th>Model 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm age</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.01</td>
<td>0.01</td>
<td>0.00</td>
</tr>
<tr>
<td>Org. status dummy</td>
<td>0.21</td>
<td>0.04</td>
<td>0.07</td>
<td>0.07</td>
<td>0.17</td>
<td>0.20</td>
<td>0.18</td>
</tr>
<tr>
<td>Manufacturing dummy</td>
<td>-0.20</td>
<td>-0.19</td>
<td>-0.17</td>
<td>-0.17</td>
<td>-0.13</td>
<td>-0.12</td>
<td>-0.14</td>
</tr>
<tr>
<td>Services dummy</td>
<td>0.04</td>
<td>0.01</td>
<td>0.04</td>
<td>0.04</td>
<td>0.19</td>
<td>0.17</td>
<td>0.14</td>
</tr>
<tr>
<td>Number of employees</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Knowledge integration</td>
<td>0.25**</td>
<td>0.22**</td>
<td>0.21**</td>
<td>0.10</td>
<td>0.10</td>
<td>0.03</td>
<td></td>
</tr>
<tr>
<td>Knowledge codifiability</td>
<td>0.08</td>
<td>0.06</td>
<td></td>
<td></td>
<td></td>
<td>-0.11</td>
<td></td>
</tr>
<tr>
<td>Know. integration x codifiability</td>
<td>0.12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td>Transgenerational control</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.42**</td>
<td>0.42**</td>
<td>0.46**</td>
</tr>
<tr>
<td>Know. integration x transgenerational control</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.15*</td>
<td>0.16*</td>
<td></td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.03</td>
<td>0.11*</td>
<td>0.12*</td>
<td>0.13*</td>
<td>0.27**</td>
<td>0.30**</td>
<td>0.31**</td>
</tr>
<tr>
<td>Change in $R^2$</td>
<td>0.08**</td>
<td>0.01</td>
<td>0.02</td>
<td>0.15**</td>
<td>0.03*</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Values shown are unstandardized coefficients. Study variables standardized prior to entry.

* $p < 0.05$, ** $p < 0.01$, two tailed.
Interaction effects of knowledge integration and knowledge codifiability on family harmony.

Lines are simple slopes plotted at -1 and 1 for different levels of knowledge codifiability.
Interaction effects of knowledge integration and transgenerational control intentions on family harmony.

Lines are simple slopes plotted at -1 and 1 for different levels of transgenerational control intentions.
Interaction results regarding family satisfaction follow a similar pattern. For higher levels of perceived knowledge integration, respondents who had higher transgenerational control intentions had higher perceived family satisfaction ($t = 2.50, p < 0.05$). Similar to Figure II, no significant effect was found for low transgenerational control intentions ($t = 0.65, n.s.$)
In sum, the results of the factor analyses, validity tests, and regression analyses confirm the value of the family business knowledge integration construct as it relates to the knowledge-based view of the firm. Additionally, important contextual conditions are found associated with the family firm that can be tied to noneconomic goals believed to be important to these firms. A discussion of the implications of the findings is presented below.

**DISCUSSION**

This study uses knowledge integration as a means to explain a segment of the organizational learning process in family firms. Specifically, the work of Chirico and Salvato (2008; 2016) is extended by building on the relationship between knowledge integration and dynamic capability development. Using performance on noneconomic goals in family firms as the dependent variables, rather than other potential dynamic capabilities, resulted in the need to consider additional contextual factors from the knowledge-based view and family business literature. This provided the opportunity to study potential moderating effects and in turn extend the Chirico and Salvato (2008) model.

The findings of the empirical analysis result in multiple contributions simultaneously in literatures dedicated to family business, organizational knowledge, and firm performance. First, existing theory within the family business context has primarily focused on resource-based arguments or has examined family business variables within an agency or stewardship perspective. The use of a knowledge-based framework indeed provides a valuable additional theoretical framework available to family business researchers. Within the knowledge-based paradigm, evidence is presented regarding the importance of transferring idiosyncratic knowledge acquired over time through the intense, interdependent actions of family members within their businesses. Through the transfer of knowledge, family firms are able to integrate this knowledge effectively and, in turn, use it to increase their ability to meet highly important noneconomic goals that are central to their family business success. Success in family businesses includes fulfilling the vision to pass down the business to subsequent generations of family members (e.g., Chrisman et al., 2013). Owing to the willingness and ability of family members to transfer and integrate knowledge that may prove useful for increasing family harmony and family satisfaction, as well as the possibility of obstacles interfering with this process, it can oftentimes be more challenging to attain these noneconomic goals than financially-based economic goals in the family business setting. Regrettably, it also may be more damaging to the family unit if they are unable to perform well on certain noneconomic goals (Beckhard and Dyer, 1983). Thus, the work contributes to family business literature by providing an empirical analysis of how knowledge affects a firm’s ability to meet
its noneconomic goals, and it contributes to the knowledge-based view by expanding the breadth and depth of organizational forms with the specific study of family firms.

Second, the nature of the knowledge that needs to be integrated when trying to meet the goals of family harmony and family satisfaction plays a significant role in the process. In Lionzo and Rossignoli (2013), the 4I model of knowledge integration is applied to small and medium-sized family enterprises, and the authors demonstrate how the family unit affects the organizational learning process. In concert with their work, the results suggest that family members must take an active role in developing ways to explicate knowledge that is inherently tacit in nature. Holding family meetings, highly encouraging quality participation from all participants in these meetings, creating additional opportunities for interpersonal interaction amongst family members, and clearly communicating the vision of the business to remain a family business may facilitate increased explicit knowledge creation. This may also develop a stronger and more explicit corporate culture (Lionzo and Rossignoli, 2013), increase identification with the firm, and, in turn, increase family harmony and family satisfaction. These findings contribute to the family business and knowledge-based literatures by explaining more accurately the nuanced nature of knowledge and how these nuances affect an organizational form dominated by a long-term focus, significant dedication to meeting the vision of the company, and kinship ties that result in potential for conflict along the way.

Third, the family business literature has rarely conceptualized, much less empirically studied, variance in the level of transgenerational control intentions of the family unit in family firms (Zellweger et al., 2012). The results suggest that performance on noneconomic goals is influenced by the amount of TCI and thus complements previous findings regarding socioemotional wealth. This further demonstrates the heterogeneity of family businesses and increases understanding of how that heterogeneity is manifested throughout their operation. Future research should consider variance in TCI when studying many of the key relationships that make family businesses different from nonfamily businesses, such as the development of family firm identity, the balance of economic and noneconomic goals, the treatment of key family and nonfamily employees when investing resources in their development, and a myriad of additional human resource practices. It also would be interesting to study how TCI affect perceptions of equity and justice amongst nonfamily managers.

Last, the findings indirectly address succession events in family firms. If maintaining or increasing family harmony and family satisfaction is indeed a noneconomic performance goal for a family firm, and the family unit has very strong intentions to pass the business on to their next generation of family
members, then creating processes to integrate tacit knowledge held within the senior generation concerning family harmony and family satisfaction is important. An alternative view of this result would be that senior generation family members may inadvertently avoid potential conflict to maintain family harmony if significant TCI exist. In other words, family harmony can be maintained or achieved by not addressing legitimate business concerns, such as a lack of skills needed by family members who are the most likely successors to leadership positions. Much like the many arguments made against nepotism being the basis for employment decisions, TCI may unintentionally alter the strategic flexibility and economic performance of the firm in the future if unqualified family members are selected for positions to meet such goals.

Several additional research questions appear relevant regarding the results. For example, knowledge integration is likely idiosyncratic within the family firm, yet environmental conditions may exacerbate the ability of the family members to effectively address new or potentially challenging environments. Within turbulent environments, it may be that the characteristics of the family firm, most notably the degree to which the family has effective knowledge integration capabilities, may enhance its ability to successfully respond. Additionally, family firm performance is potentially enhanced under such conditions, since the firm can leverage antecedents of knowledge integration to quickly communicate and leverage its knowledge assets. As such, future research should consider the degree to which family business knowledge integration effectively addresses performance within uncertain environments.

The economic performance of family firms may also warrant an area for future research when considering the methodology of the current study. Subsequent studies should assess how economic performance of family firms affect the relationships outlined in the model, as well as utilizing economic performance as the dependent variable. Studies of this nature may answer the following questions: Does economic performance serve as a moderator of the relationship between knowledge integration and noneconomic performance in family firms? Does knowledge integration have a stronger relationship with economic or noneconomic performance in family firms?

In consideration of strategic issues in family firms, the results may vary owing to firm age. The data showed that firm age had significant negative correlations with knowledge codifiability and with TCI. Owing to the nature of young firms generating significant amounts of new knowledge, the ability of these firms to develop explicit rather than tacit knowledge is quite limited and expected. Interestingly though, TCI decreasing over time goes against conventional wisdom in family firm literature. For example, the traditional view of the family business life cycle (Gersick et al., 1997) describes young family firms as those that often begin as a sole owner or husband/wife team. These individuals may not have children or other family members capable of
immediately succeeding into top leadership positions if necessary. Thus, it is believed that the intention to pass down the business to the next generation could seem out of reach until the next generation is actually old enough to do so. Additionally, a multi-generation, highly successful family business may increasingly want the business passed down to the next generation because of family legacy. This implies that intentions to pass down the business might increase over time, whereas the results show these intentions decreasing. The results may reflect the difficulties of simultaneously operating a business and a family, especially in cases where the current senior generation of family members were not the founders of the business. In other words, second generation family members who did not found their businesses may be less likely to want their children to take over the business because they have fulfilled their parents’ dream and not their own. Overall, this result clearly shows that family firms are not a homogenous group, and future research in this area of literature should consider accounting not only for firm age but also for the generation of the top management team of the business.

This research is not without limitations. The use of a time-lagged sample can possibly create problems regarding causality, and the measures were assessed using an online survey tool. Also, the sample is comprised of a diverse group of family businesses, yet the vast majority of them are relatively small. Second, the viewpoint of the family unit was the primary focus in this study, not considering the potential influence that non-family employees may have on the process of knowledge transfer and integration. The decision to exclude non-family members is a result of the dependent variables used being intricately tied to the values, desires, and objectives of the controlling family in family firms (Chrisman et al., 2013). Future research should consider how influential non-family members in family firms might affect this process both positively and negatively. Third, the degree to which the respondents reflect accurately the general population of firms which are family firms is unknown. Likewise, the possibility of self-selection bias cannot be ruled out, as well as concerns regarding endogeneous variables that are not accounted for in the modeling. The identification and correction of endogeneity can be a difficult challenge when using survey data, although lagged data such as the sample can help alleviate some of these concerns (Semadeni et al., 2014). Finally, the findings are preliminary, in that the development of the knowledge integration items were modified from the Collins and Smith (2006) measure. Additional items may be more appropriate, and therefore, future researchers are encouraged to explore items that can capture this construct more effectively.

The results of this study have practical implications for family businesses. First, family business owners are frequently encouraged by consulting firms to hold family meetings with the intent of increasing communication skills and reducing relationship conflict. Family firms should also use these meetings as a
vehicle to turn tacit knowledge into explicit knowledge. Indeed, codifying areas of tacit knowledge that assist the family in maintaining family harmony and family satisfaction may prove to be effective. This is particularly important for young family firms that are creating knowledge at a much higher rate than later generation firms. Second, in the data set TCI appear to diminish over time. Family firm owners are encouraged to communicate the desire to use the business as a vehicle to reach their vision of creating a better future for the family. Viewing the business as a vehicle to something greater than a means to generate wealth is important. Otherwise, the business may take on a reputation as an entity getting in the way of having a better future. It may become a source of conflict and dissatisfaction.

Research in the field of family business continues to seek new theoretical frameworks to develop and expand the field. Family business literature has grown in a large part based upon the systematic approaches that researchers have utilized. This study represents the spirit of this systematic approach through the empirical analysis of a model that utilizes literature from the knowledge-based view of the firm and noneconomic performance of family firms. This extension of Chirico and Salvato’s (2008; 2016) model provides a more nuanced understanding of how knowledge integration affects certain outcomes. The potential for disharmony and dissatisfaction is real and poignant as evidenced by the many stories of family firms’ inability to work well together for a common purpose. The focus on noneconomic goals in this study offers a potential answer for family firms when trying to develop a business that supports the family financially while at the same time providing support of an environment in which the family unit can flourish.

References


Succession-Related Role Transitions in Family Firms: The Impact of Proactive Personality

Laura E. Marler
Mississippi State University
lmarler@business.msstate.edu

Isabel C. Botero
Stetson University
ibotero@stetson.edu

Alfredo De Massis
Free University of Bozen-Balzano and Lancaster University
a.demassis@lancaster.ac.uk

One of the principal challenges for the continuity of a family firm is the transfer of leadership and ownership across generations. Research indicates that only a small percentage of family firms are able to survive this transition (Ward, 1997, 2004), which explains why many family business scholars focus on understanding factors affecting the succession process. In the context of family firms, succession refers to the transfer of leadership and ownership of the firm to family members or other outside parties (Le Breton-Miller et al., 2004; Sharma et al., 2001). The succession process occurs over long periods of time, is marked by different events, and influenced by characteristics of the individuals involved (Churchill and Hatten, 1987; Handler, 1990; Le Breton-Miller et al., 2004). Several integrative frameworks explain the succession process in family firms (e.g., Le-Breton-Miller et al., 2004; Royer et al., 2008; Sharma et al., 2001); however, one aspect that is not well understood and needs investigation is the manner in which successor and incumbent personality congruence affects the succession process (Daspit et al., 2016; Long and Chrisman, 2014).
Because change is an inherent part of succession, this paper focuses on the proactive personality trait which captures an individual’s tendency to bring about meaningful change in his or her environment (Bateman and Crant, 1993). Previous research in organizational behavior suggests that the personality of incumbents and successors influences role transitions during succession (Ashforth and Saks, 1995). Specifically, those who score high on the proactive personality trait tend to be well suited for changes associated with the succession process such as learning new roles and making decisions independently (Cabrera-Suárez, 2005; Handler, 1994). However, drawing on both the succession and proactive personality literatures, this paper theorizes that the proactive personality of the incumbent and successor may or may not lead to effective role transitions during the succession process depending upon the personality congruence of incumbent/successor dyads.

The focus of this paper is leadership succession involving family members, which encompasses the transfer of responsibility for the ongoing management of the firm from members of senior to the junior generations (Blumentritt et al., 2013). The paper explicates the effects of incumbent and successor personality congruence relative to a key aspect of the intra-family succession process: effective role transition. While incumbent leaders have the ability to facilitate the succession process by nurturing and developing the successor (Cabrera-Suárez, 2005; Cadieux, 2007; Le Breton-Miller et al., 2004), these powerful actors often tend to resist the changes necessary for the transfer of leadership to a successor, and this can cause role transitions during and following changes of leadership to be less effective (Cadieux, 2007; Handler, 1994; Lansberg, 1988; Long and Chrisman, 2014; Sharma et al., 2001, Sonnenfeld and Spence, 1989). Therefore, theorizing in this paper considers the leader’s readiness for change which describes the incumbent’s cognitive state of readiness to move forward with the succession process and to transfer authority as well as decision-making to the successor (Michael-Tsabari and Weiss, 2015). This paper focuses on two contexts: (1) when the incumbent is ready for the role transition, and (2) when the incumbent is not ready for transition.

Theorizing about how incumbent and successor personality congruence, with emphasis on the proactive personality trait, can explain the effectiveness of role transitions both during and following the transfer of intra-family leadership. Given that multiple factors may affect the succession process, it is important to note the following four assumptions. The first assumption is that there is an intention on the part of the dominant coalition in the family business to transfer managerial control from one family member to another. For this

---

1 Readiness for succession differs from actual role transition in that readiness assesses a cognitive state of the individual while role transition entails a change in both duties and behavior.
paper, the dominant coalition could consist of a single individual and even coincide with the incumbent, as is often the case in a founder-controlled family business, or many individuals, as might be the case in sibling partnerships or cousin consortiums where the incumbent is only a member of the dominant coalition (Gersick et al., 1997). Second, it assumes that a family successor is willing to take over as the firm leader. Third, incumbents vary in the extent to which they are ready for succession. A dichotomy is used to characterize them as either succession ready or non-succession ready. Finally, it is assumed that leadership succession will take place.

This paper offers several contributions. Although research on succession in family firms is a popular topic for family firm researchers, there is little theorizing about how specific personality traits offer insight in this context, which is surprising given their usefulness in predicting behavioral outcomes (Weiss and Adler, 1984). By employing a trait-based approach to better understand effectiveness in role transitions related to succession, this paper is an initial step in addressing the gap researchers have identified between organizational behavior and family business literature (Gagné et al., 2014). Also, focusing on incumbent and successor personality traits and personality congruence answers the call for research explaining “how” and “why” incumbent and successor characteristics influence intra-family succession (e.g., Daspit et al., 2016; Long and Chrisman, 2014). Because effective role transition is likely to affect firm performance post-succession, this paper has the potential to inform the family firm literature on individual level characteristics that can be important for the long-term sustainability and viability of the family firm. Finally, while studies have examined the proactive personality of business owners as it relates to firm innovation (Kickul and Gundry, 2002) and environmental scanning (Becherer and Maurer, 1999), the proactivity literature has not yet addressed how the interplay of leader and follower proactive personality affects organizational processes such as succession. This paper is a first step in that direction.

LITERATURE REVIEW

Succession in Family Firms

In family firms, succession refers to the process of transferring management and/or ownership of the firm between family members or between family and non-family members (Le Breton-Miller et al., 2004; Sharma et al., 2001). While there are a variety of approaches used to study succession in family firms, researchers seem to agree that succession should be conceptualized as a process rather than a one-time event. The succession literature summarizes the process in several models that reflect succession takes time, often providing an
opportunity for planning on the part of the incumbent and successor (Handler, 1990; Le Breton-Miller et al., 2004). However, incumbent leaders often resist change as a result of their reluctance to transfer control of the family firm to a successor (De Massis et al., 2016; Gagné et al., 2011; Lansberg, 1988; Sharma et al., 2001). Put differently, incumbents have a great deal of power during the succession process in the sense that they may either facilitate the process or jeopardize it by slowing, stalling, or interfering with it (Lansberg, 1988). Models indicate that succession is a dynamic and iterative process requiring role transition even as planning takes place (Cadieux, 2007; Handler, 1990; Le Breton-Miller et al., 2004).

**Succession-related Role Transitions.** Role transitions can have a lasting impact on both the individual and organization, especially in the context of succession (Nicholson, 1984; Sonnenfeld and Spence, 1989). As such, desirable succession outcomes revolve, in part, around the effectiveness of role transitions of the incumbent and successor (Cadieux, 2007; Dyck et al., 2002; Handler, 1990). During succession, the process of leadership transfer requires incumbents and successors to engage in change-oriented behaviors and negotiate the changing conditions of their relationships and their roles in relation to the firm. An effective role transition occurs when the incumbent and successor *mutually agree on and engage in* responsibilities associated with their new roles. For instance, two critical aspects of succession planning include socializing the successor and preparing that individual for future leadership through training as well as exposure to the family business (Cabrera-Suárez, 2005). These activities require both a willingness to teach on the part of the incumbent and a willingness to learn on the part of the successor.

The incumbent and successor are both likely to experience challenges during this time of transition as one individual steps out of a leadership role and the other into it (Handler, 1990). Work-role transitions are complex due to shifts related to “goals, attitudes, identity, behavioral routines, informal networks and many other large and small changes” (Ashforth and Saks, 1995: 157). In cases of effective intra-family succession, incumbents often fill supervisory and consultant roles during the transition then take on more of an advisory role at some point following the formal appointment of the successor (Cadieux, 2007). As such, a successor who has largely followed the advice of the incumbent will start making decisions of his or her own accord. Put differently, a “joint reign” period is followed by decreasing levels of involvement on the part of the former incumbent (Cadieux, 2007; Handler, 1990).

Role transitions can be viewed as a process (Ibarra and Barbulescu, 2010) and may be accompanied by a “period of discontinuity and flux where individuals and their roles must gravitate towards a new synchronization” (Ashforth and Saks, 1995: 157). Therefore, it is not surprising that many family firm researchers argue that effective transitions during succession are more
likely to occur when incumbents demonstrate a willingness to prepare successors (Cadieux, 2007; Handler, 1990; Morris et al., 1997) and engage in exit strategies that help them transition into advisory roles (Sonnenfeld and Spence, 1989). Further, literature suggests that post-succession acceptance of the successor as the new leader depends on the ability of an incumbent to transition roles following the departure from formal leadership. An incumbent who is not willing to release the reigns without interfering after leadership succession has taken place is likely to prove problematic (Lansberg, 1988; Sonnenfeld and Spence, 1989). This is not to suggest that incumbents do or should have a complete separation from the firm. Rather, the work of Cadieux (2007) indicates that incumbents often occupy the important and respected role of “symbol” following succession.

**Succession and Proactive Behavior.** A review of the literature indicates that many of the incumbent characteristics associated with effective cases of intra-family succession are consistent with change-related behaviors in which individuals with proactive personalities are thought to engage. These behaviors include selecting a successor (Cabrera-Suárez, 2005; Cadieux, 2007), evaluating what the potential successor needs to know and learn (De Massis et al., 2008), as well as nurturing and developing the successor to take the leadership role (Cabrera-Suárez, 2005; Cadieux, 2007; Le Breton-Miller et al., 2004). Similarly, the successor becomes increasingly involved over a period of time transitioning from following to leading (Cadieux, 2007; Handler, 1990).

A great deal of the succession literature alludes to a key point: incumbents can interfere with the succession process even after formal leadership transition has occurred due to their inability to let go (e.g., Handler, 1990; Le Breton-Miller et al., 2004; Sonnenfeld and Spence, 1989). Recent empirical work points to the importance of gaining insight into what predicts an incumbent’s ability to “let go” and transition into retirement. Role transitions following the formal transfer of leadership are critical to the completion of the succession process (Cadieux, 2007). The work of Sonnenfeld and Spence (1989) and Gagné and colleagues (2011) suggests that incumbents who demonstrate the capability to disengage are more likely to be fulfilled in their retirement transition. Their work is a reminder that ever present in the succession literature is the notion that an incumbent’s ability to deal with change is fundamental.

Research suggests that role transitions of both incumbents and successors may differ depending on the proactive personality of each party (Parker, 1998). Thus, this paper builds on a stream of research known as proactivity, which acknowledges that individuals play an active role in shaping and influencing their environment bringing about constructive change in the organization (Bateman and Crant, 1993; Crant, 2000; Frese and Fay, 2001; Morrison and Phelps, 1999). In particular, this paper focuses on the proactive personality of both incumbent and successor.
Proactive Personality

Family firm researchers note that individual attributes affect the succession process (e.g., Daspit et al., 2016; Long and Chrisman, 2014). While numerous personality traits are likely to offer potential explanatory power for behavior of both incumbents and successors, the personality characteristic of interest in this article is proactive personality, which captures a disposition towards bringing about constructive organizational change (Bateman and Crant, 1993). Proactive personality is relevant to the succession process for several reasons. This trait encompasses a stable disposition individuals have towards taking initiative and changing their environments in constructive ways (Bateman and Crant, 1993; Seibert et al., 2001). Also, proactive personality often offers improved or similar predictive validity for a variety of behavioral outcomes when compared to the widely used Big Five personality factors (Fuller and Marler, 2009; Major et al., 2006). Family firm scholars have highlighted numerous changes during succession, emphasizing the notion that incumbents and successors play a role in shaping the process; therefore, proactive personality is clearly relevant to the succession process.

An individual’s proactive personality is conceptualized as being on a continuum. Individuals high in proactive personality are referred to as “proactive” while individuals low in proactive personality are referred to as “passive.” Proactive individuals are characterized as seeking out opportunities, showing initiative, and persevering to bring about meaningful change (Bateman and Crant, 1993). These individuals value constructive change (Major et al., 2006), tend to be learning oriented (Porath and Bateman, 2006; Major et al., 2006), and feel capable of taking on activities outside of their usual roles (Parker et al., 2006; Parker, 1998). In comparison to their proactive counterparts, passive individuals typically fail to show initiative and are less likely to seize opportunities to change their environment (Bateman and Crant, 1993). Passive individuals are more likely to adapt to and endure current circumstances (Bateman and Crant, 1993). Put differently, passive individuals demonstrate a preference for the status quo and tend to avoid initiating changes in their surroundings.

Researchers offer frameworks in which proactive personality is an antecedent of change-oriented behaviors (Bindl and Parker, 2010; Parker and Collins, 2010; Parker et al., 2006). Individuals who score high in proactive personality are more likely to engage in self-directed, future-oriented actions such as networking (Thomas et al., 2010), socialization as newcomers in organizations (Kammeyer-Mueller and Wanberg, 2003), career initiative (Seibert et al., 2001), as well as taking charge, problem prevention, and voice behavior (Parker and Collins, 2010). Proactive employees tend to create difficult goals on their own accord and adopt efficient strategies for their
behaviors, which enhances their likelihood of engaging in these types of behaviors (Frese and Fay, 2001; Morrison and Phelps, 1999; Van Dyne and Le Pine, 1998). Proactive personality is useful in predicting when employees will be more innovative (Chen et al., 2013), have higher job performance (Grant, 1995), experience greater career success (Ng et al., 2005), and have higher levels of continuous improvement in the workplace (Fuller et al., 2006).

While most studies of proactive personality focus on its relationship with employee outcomes, a small number of studies relate this personality trait to the strategic choices of firm leaders. For example, one study of small business owners revealed that proactive firm leaders are more likely to engage in environmental scanning than passive firm leaders (Becherer and Maurer, 1999). Another study of small business owners indicated proactive personality is related to strategy development (Kickul and Gundry, 2002). Because proactive personality offers utility as a predictor of a wide variety of outcomes ranging from employee performance and career advancement to the strategic choices of firm leaders, it is likely to be useful in predicting the nature of interactions between family firm leaders and successors both during and following leadership transfer. In addition to considering personality, the succession literature suggests that useful models of succession should consider the incumbent’s readiness for succession.

**Succession Readiness**

When studying succession, many scholars explicitly or implicitly suggest that for succession to work, a family firm’s leader needs to be willing (i.e., be inclined) to “let go” and/or be ready (i.e., mentally prepared) for the process (e.g., Cadieux, 2007; de Pontet et al., 2007; Gagné et al., 2011; Lansberg, 1988; Sonnenfeld and Spence, 1989). Indeed, research demonstrates some leaders are more ready and willing than others to relinquish the control afforded by a leadership position (Cadieux, 2007; de Pontet et al., 2007; Michael-Tsabari and Weiss, 2015; Sonnenfeld and Spence, 1989). Building on these ideas, this paper uses the term “succession ready” to refer to incumbents who are both inclined and mentally prepared to leave their role of firm leader and to transfer authority as well as decision-making power to a successor. Conversely, incumbents who neither desire to leave the role of firm leader nor want to allow the successor to make decisions are referred to as “non-succession ready.”

It is important to make the distinction between proactive personality and succession readiness. Regardless of whether or not an incumbent is proactive or passive, he or she may be succession ready. That is, incumbents on both ends of the proactive personality continuum may have the desire for succession and be willing to transfer authority and decision-making to a successor. Similarly, it is possible that both passive and proactive individuals may not be succession ready.
ready. In fact, the interplay of incumbent and successor personality traits is likely affected by whether or not the incumbent is succession ready. Therefore, the next section considers the proactive personality of incumbent and successor dyads to explore how the congruence or incongruence of personality traits influences the effectiveness of role transitions when incumbents are ready for transitions and when they are not.

PROACTIVE PERSONALITY AND THE SUCCESSION PROCESS

Congruence Effect of Incumbent and Successor Proactive Personality

The succession literature places an emphasis on the “mutual role adjustment” of the incumbent and successor in leadership transitions (Handler, 1990). Incumbents are powerful actors due to their ability to shape the succession process by facilitating, accepting, stalling, delaying, or impeding it (Handler, 1990; Long and Chrisman, 2014; Morris et al., 1997). In this sense, incumbent personality traits are likely to affect the succession process (Sonnenfeld and Spence, 1989). However, while the incumbent holds the key to various aspects of succession, the successor must also be willing to take on new roles and demonstrate initiative in the process (Long and Chrisman, 2014); therefore, it is important to consider both incumbent and successor characteristics.

Family firm researchers emphasize the importance of a successor developing leadership skills (Cabrera-Suárez, 2005) and being accepted as a legitimate leader in the firm (Barach and Ganitsky, 1995; Salvato and Corbetta, 2013). A successor’s ability to effectively carry out duties in a new leadership role is heavily dependent on his or her ability to “acquire the predecessor’s key knowledge and skills adequately to maintain and improve the organizational performance of the firm” (Cabrera-Suárez et al., 2001: 37). Nonetheless, when leadership succession occurs, it is possible that the former firm leader may or may not accept and respect the successor as the new firm leader, which can jeopardize the acceptance of the successor by different stakeholders (Sonnenfeld and Spence, 1989). As such, the interplay of personality traits of both the incumbent and successor is likely to affect the degree of effectiveness of their role transitions after intra-family succession.

This paper focuses on the proactive personality trait. Proactive personality congruence occurs when the incumbent leader and successor are either both high or both low in proactive personality. On the other hand, proactive personality incongruence occurs when one party is high in proactive personality while the other is low (i.e., passive). Personality congruence impacts workplace relationships and organizational processes in a variety of ways (Schaubroeck and Lam, 2002). Personality congruence between individuals is thought to
enhance communication (Engle and Lord, 1997), lead to more effective interactions (Schaubroeck and Lam, 2002), and improve the quality of leader-member exchanges (Bernerth et al., 2008; Zhang et al., 2012). Conversely, personality incongruence can lead to difficulty in interpersonal interactions and lower quality exchanges between leaders and followers who are reliant on each other during a time of mutual adjustment (Handler, 1990; Schaubroeck and Lam, 2002). Congruence effects of incumbent and successor proactive personality are likely to shape role transition during and following leadership transitions in family firms. On one hand, personality congruence can reduce conflict as well as role ambiguity (Tsui and O’Reilly, 1989), which can result in role clarity and aids the transition during succession (De Massis et al., 2008). On the other hand, personality incongruence could result in destructive conflict between incumbent and successor, which can decrease communication and other important behaviors necessary for effective role transitions. With this in mind, this paper argues that the proactive personality congruence of an incumbent leader and his or her successor, depending on the incumbent’s succession readiness, influences the degree of effectiveness of role transitions.

This paper focuses on four dyads: proactive incumbent/proactive successor; proactive incumbent/passive successor; passive incumbent/proactive successor; passive incumbent/passive successor. Two figures contain explanations of the congruence effect of incumbent and successor proactive personality on the degree of effectiveness of role transitions during and following leadership succession. Figure I considers the four dyads when incumbents are succession ready, while Figure II considers the same dyads when incumbents are not succession ready.
**Figure I**

**Congruence Effects of Incumbent/Successor Proactive Personality on Role Transitions During and Following Leadership Succession when Incumbents are Succession Ready**

<table>
<thead>
<tr>
<th>SUCESSION READY INCUMBENT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>P1 – Proactive Incumbent and Proactive Successor</strong></td>
<td><strong>P5 – Passive Incumbent and Proactive Successor</strong></td>
</tr>
<tr>
<td><strong>Role Transition:</strong> More Effective</td>
<td><strong>Role Transition:</strong> More Effective</td>
</tr>
<tr>
<td><strong>Why?</strong> Proactive individuals feel responsible for bringing about change in their environment. Thus, congruence between the incumbent and successor personality is likely to result in greater goal-alignment and shared expectations during the transition process. This, in turn, results in higher cooperation during the succession process, which facilitates leadership role transitions during and after the succession process.</td>
<td><strong>Why?</strong> The incumbent allows the successor to take the initiative because of a desire to exit the firm. Thus, while this is a case of incongruence, goals are aligned. The successor guides the process which meets the expectations of the incumbent. Ultimately, successor initiative will help the incumbent leave the leadership role and take on new roles outside the firm.</td>
</tr>
<tr>
<td><strong>P3 – Proactive Incumbent and Passive Successor</strong></td>
<td><strong>P7 – Passive Incumbent and Passive Successor</strong></td>
</tr>
<tr>
<td><strong>Role Transition:</strong> Less effective</td>
<td><strong>Role Transition:</strong> More Effective</td>
</tr>
<tr>
<td><strong>Why?</strong> Incumbent and successor dyads in this case differ in their expectations. The incumbent is expecting that the successor will take initiative and try to expand his or her role, while the successor feels less capable of taking on new activities. These differences lead to conflict, which makes leadership transitions difficult. The incumbent in this case feels frustrated and will have difficulty relinquishing control.</td>
<td><strong>Why?</strong> Incumbents who are passive are more likely to prefer the status quo. In this case the incumbent may view the status quo as keeping the business in the family. Thus, both the successor and the incumbent may view the transition as “the way things should be.” Passive successors will be less likely to want to change many aspects of the firm. Thus, the incumbents will be less likely to want to return into their leadership role.</td>
</tr>
</tbody>
</table>
**Figure II**
Congruence Effects of Incumbent/Successor Proactive Personality on Role Transitions During and Following Leadership Succession when Incumbents are Not Succession Ready

<table>
<thead>
<tr>
<th>Non-Succession Ready Incumbent</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>P2 - Proactive Incumbent and Proactive Successor</strong></td>
<td><strong>P6 - Passive Incumbent and Proactive Successor</strong></td>
</tr>
<tr>
<td><strong>Role Transition:</strong> Less Effective</td>
<td><strong>Role Transition:</strong> Less Effective</td>
</tr>
<tr>
<td><strong>Why?</strong> Not being succession ready activates the dark side of proactive personality in the incumbent (i.e., narcissism and need for dominance). Because of this, role transitions are less effective due to the incumbent not being willing or ready to give up control. In cases where succession occurs, incumbents are more likely to return to the organization and try to take control back from the successor.</td>
<td><strong>Why?</strong> Passive incumbents are resistant to change and prefer to maintain the status quo. Because of this they will deny the successor opportunities to gain the knowledge, skills, and experience that will help the successor take over the leadership of the firm. This will make the successor’s transition into and the incumbent’s transition out of the leadership role more difficult.</td>
</tr>
</tbody>
</table>

| **P4 – Proactive Incumbent and Passive Successor** | **P8 - Passive Incumbent and Passive Successor** |
| **Role Transition:** Less Effective | **Role Transition:** Less Effective |
| **Why?** These incumbent-successor dyads have different expectations. While the incumbent expects the successor to initiate change, the successor is not inclined to do so. Incumbents interpret these actions as a lack of successor capability. Thus, both parties will have difficulty fully taking over or relinquishing their previous role. | **Why?** Passive incumbents will want to maintain the status quo. In this case the incumbent may view the status quo as the absence of change in the organization. Given that successors are passive, they will not see the need to change the incumbent actions. Thus, neither the incumbent nor the successor is likely to take initiative, which makes transition more difficult. |
Proactive Incumbent and Proactive Successor

Succession Ready. Proactive personality is associated with individuals feeling both capable of and responsible for taking on activities outside of their typical roles (Fuller et al., 2006; Parker et al., 2010; Parker et al., 2006; Parker, 1998). These feelings suggest the ability of succession-ready incumbents with proactive personalities to broadly define and take on new roles will ease their transition from firm leader. Similarly, proactive successors are likely to feel responsible for and capable of taking on new roles, which will aid both parties in transitioning following succession. In this case, the congruence of the proactive incumbent-successor dyad is likely to result in goal-alignment and shared expectations, which in turn, leads to cooperation during the succession process. Consistent with previous research on congruence of leader and follower proactive personality (Zhang et al., 2012), a proactive successor is likely to experience higher-quality exchanges with a proactive incumbent and take full advantages of learning opportunities provided by the leader. Further, proactive incumbents will value, rather than feel threatened by, the initiative of subordinates during the succession process, which will aid the successor in gaining valuable experience without causing conflict.

Proactive leaders, who tend to feel a sense of responsibility for bringing about constructive change, will value the initiative of subordinates (Fuller et al., 2015). As such, proactive incumbents who are succession ready will feel responsible for and see the value in integrating the successor into the firm’s internal and external networks. Network integration, such as getting to know customers, will aid in establishing the legitimacy of the successor post-succession. In this sense, the successor’s new role as the firm leader will be further cemented by a proactive incumbent who is capable of and willing to disengage as firm leader. Due to their broader role definitions (Parker et al., 2006; Parker, 1998), proactive incumbents who have decided they are ready to step out of a leadership role will use exit strategies that reflect a lower likelihood to re-engage with the family business in the capacity of firm leader and a higher likelihood to serve as advisors or pursue interests outside of the family firm (Gagné et al., 2011; Lansberg, 1988; Sonnenfeld and Spence, 1989). In sum, the congruence of personality traits in this dyad will result in effective leadership transition during and after the succession process.

Proposition 1: Congruent incumbent successor dyads with a proactive incumbent and proactive successor will be associated with more effective role transitions during and following the formal transfer of leadership when the incumbent is succession ready.
Non-succession ready. Due to their forward-looking nature and personal feelings of responsibility, theory suggests proactive incumbents are well-suited to facilitate and support the succession process. However, when an incumbent is not ready for succession, the proactive incumbent-successor dyad may have more difficulty transitioning into new roles. Researchers have alluded to a potential dark side to the proactive personality trait that is strongly associated with both narcissism and the need for dominance (Bateman and Crant, 1993; Che, 2012; Marler and Fuller, 2016). When the incumbent is not ready to relinquish control the succession process can trigger darker aspects of the proactive personality trait. Therefore, while personalities are congruent in this case, the similarity will not result in higher quality relationships as suggested by prior research (e.g., Zhang et al., 2012). In particular, it is possible that an individual’s efforts to take initiative will threaten a proactive incumbent who is not ready to release the reigns of control. Even though, in these circumstances, proactive incumbents and successors have some degree of goal alignment (e.g., interest in protecting the family business, interest in protecting the legacy of the family), they may have different expectations of how to achieve these goals. For example, while the incumbent believes that the best way to achieve the common goals is by maintaining control over the leadership and management of the business, the successor may believe that the best way to achieve a shared goal is by becoming the leader of the firm. These differences in expectations are likely to result in destructive conflict, which is likely to create a rift in the relationships between incumbent and successor that will affect their willingness to collaborate and facilitate the succession process. At the same time, if succession occurs, a proactive incumbent who is non-succession ready is less likely to disengage from the business and more likely to undermine the successor as a legitimate leader because they are looking for reasons to rescue the company from real or imagined shortcomings of the successor (Gagné et al., 2011; Lansberg, 1988; Sonnenfeld and Spence, 1989). All of these issues reduce the effectiveness of role transitions during and after the leadership succession process.

Proposition 2: Congruent incumbent successor dyads with a proactive incumbent and proactive successor will be associated with less effective role transitions during and following the formal transfer of leadership when the incumbent is non-succession ready.

Proactive Incumbent and Passive Successor

Succession ready. Proactive personality incongruence may lead to lower quality relationship exchanges (Zhang et al., 2012). While a passive successor is not likely to challenge the incumbent, role transitions could prove to be difficult.
when the incumbent and successor behave in ways that do not align with each other’s role expectations especially when an incumbent is succession ready. Incumbents will likely be affected by what Campbell (2000) refers to as the “initiative paradox,” which occurs when proactive leaders expect their followers to have expanded role definitions and to take initiative as they would themselves. Proactive individuals tend to define their roles broadly, taking on roles beyond their formal job descriptions. Because passive individuals define their roles more narrowly (i.e., they perform their prescribed role), they are less comfortable taking on duties outside of their traditional roles and feel less responsible for and capable of doing so (Fuller et al., 2006; Parker et al., 2006; Parker, 1998). While the succession-ready, proactive incumbent will work to integrate the passive successor into existing networks, the successor will be less likely to derive value from those ties. Due to their own desire for control and the passive nature of the successor, the proactive incumbent is likely to have difficulty disengaging from the firm following a leadership transition with a passive successor who is not willing to maximize learning opportunities and take on new roles. Further, proactive incumbents will find it frustrating that they are not able to disengage from the business despite their desire to do so. Therefore, the differences in expectations will result in less effective role transitions during and after the leadership succession process.

Proposition 3: Incongruent incumbent-successor dyads with a proactive incumbent and a passive successor will be associated with less effective role transitions during and following the formal transfer of leadership when the incumbent is succession ready.

Non-succession ready. Similar to the last dyad, lack of personality congruence will likely result in goal misalignment (Kotlar and De Massis, 2013). In this situation, the proactive incumbent and the passive successor have different expectations of each other, which are likely to result in negative evaluations by the incumbent on the successor’s ability to take over the leadership role. Thus, a passive successor is not positioned to have an effective role transition when a proactive incumbent is not “succession ready.” In this dyad, incumbents are not likely to provide learning opportunities thought to be important for successor-preparedness (Cabrera-Suárez, 2005; Cadieux, 2007; Le Breton-Miller et al. 2004). Similarly, passive successors are not likely to seek out learning opportunities that would aid them in gaining the required experience. Finally, the proactive incumbent who is non-succession ready will likely have great difficulty in disengaging from the business for several reasons (Gagné et al., 2011; Lansberg, 1988; Sonnenfeld and Spence, 1989). In this dyad, the successor is likely to “need” the proactive incumbent to remain involved, which will lower the effectiveness of role transitions in these situations.
However, unlike the succession ready proactive incumbents in the previous dyad, proactive incumbents who are non-succession ready will experience less frustration because the feeling of being needed by the successor will aid in meeting their desire for control.

**Proposition 4:** Incongruent incumbent-successor dyads with a proactive incumbent and a passive successor will be associated with less effective role transitions during and following the formal transfer of leadership when the incumbent is non-succession ready.

**Passive Incumbent and Proactive Successor**

**Succession ready.** Although theory suggests that personality incongruence is less likely to result in positive workplace outcomes, the case of a passive incumbent who is succession ready and a proactive successor may be an exception. The parties in this dyad have the shared goal of succession. Theory suggests passive individuals are resistant to change due to their preference for the status quo (Bateman and Crant, 1993). However, a passive incumbent who is ready to step out of a leadership role is likely to be accepting of changes that accompany the succession process making for an effective transition as the proactive successor accepts the reigns of leadership. The proactive successor may receive less preparation because the passive incumbent does not feel responsible and confident engaging in change-related behavior to prepare a potential successor (Fuller et al., 2006; Parker, 1998; Parker et al., 2006). However, the lack of preparation by the incumbent can be supplanted by the efforts of a proactive successor. The networking ability of proactive individuals suggests that the proactive successor will be able to secure relationships during the succession process that facilitate their acceptance, power, and legitimacy following the transfer of leadership. As a result of their desire to learn, proactive successors may turn to nonfamily professionals for support (Salvato and Corbetta, 2013). At the same time, the passive incumbent will likely disengage from firm activities following the formal transfer of leadership, which will be beneficial to the proactive successor. Therefore, although personality incongruence is often associated with lower-quality relational exchange, in this case – it can lead to goal alignment between the incumbent and successor – resulting in high-quality exchanges since the expectations of both parties are met. These actions, in turn, will result in effective role transitions during and after leadership succession occurs.
**Proposition 5:** Incongruent incumbent-successor dyads with a passive incumbent and a proactive successor will be associated with more effective role transitions during and following the formal transfer of leadership when the incumbent is succession ready.

**Non-succession ready.** Previous theory suggests that passive incumbents will be resistant to change due to their preference for the status quo (Bateman and Crant, 1993). An incumbent with a tendency to maintain the status quo is likely to deny the proactive successor opportunities for mentoring, training, information, and experience needed to take over the leadership of the family (Cabrera-Suárez, 2005). While the proactive successor is likely to identify learning opportunities and take initiative, these behaviors will be perceived as threatening by the passive incumbent who is not yet ready to relinquish control and has a strong preference for the status quo (Campbell, 2000). Further, the succession literature suggests any incumbent who is not ready for succession will re-engage with firm activities, which can threaten the acceptance of the proactive successor as powerful and legitimate following the formal transfer of leadership (Gagné et al., 2011; Lansberg, 1988; Sonnenfeld and Spence, 1989). The quality of exchanges in this case of incongruence is likely to be low, suggesting that the proactive successor will be hindered by the passive incumbent during and following succession (Zhang et al., 2012), and will not allow the successor to transition into a new leadership role.

**Proposition 6:** Incongruent incumbent-successor dyads with a passive incumbent and a proactive successor will be associated with less effective role transitions during and following the formal transfer of leadership when the incumbent is non-succession ready.

**Passive Incumbent and Passive Successor**

**Succession ready.** Passive incumbent and successor dyads both demonstrate a tendency to maintain the status quo. Previous proactivity research suggests that passive successors will find taking on new roles during the succession process challenging (Fuller et al., 2006; Parker, 1998; Parker et al., 2006). However, while the role transition may prove to be difficult for the passive successor, goal alignment of this dyad will aid in making the transition effective when the incumbent is succession ready. In the succession ready case, the incumbent may view the transition of roles as consistent with the status quo given in family firms there is an implicit expectation that to keep the firm alive a family member of the next generation should take over. Thus, the incumbent in this case may be more willing than usual to engage in behavior to facilitate change. In a similar way, a passive successor would likely be comfortable with
the status quo and not envision and push for extreme changes. This type of consistency in practice will make it easier for the succession-ready passive incumbent to transition into a new role and disengage from a previous role in the firm.

**Proposition 7:** Congruent incumbent-successor dyads with a passive incumbent and a passive successor will be associated with more effective role transitions during and following the formal transfer of leadership when the incumbent is succession ready.

**Non-succession ready.** This case of congruence will be characterized by the passive incumbent and passive successor having different goals and role expectations. Passive incumbents who are non-succession ready will likely resist changes because they will see the transition in leadership as being inconsistent with the status quo. In this case, incumbents will work to maintain what they believe is the status quo (i.e., lack of change in the organization). These actions will, in turn, deprive the passive successor from opportunities for mentoring, training, information, and experience needed to develop leadership skills and knowledge necessary for their effective transition into a leadership role (Cabrera-Suárez, 2005). Proactivity research suggests that passive incumbents who are not ready to relinquish control will be problematic in the sense that they will have difficulty transitioning into new fulfilling roles following succession as they are less likely to feel responsibility for and capable of doing so. As a result, the passive incumbent is less likely to disengage from firm activities and more likely to re-engage with the firm (Gagné et al., 2011; Lansberg, 1988).

**Proposition 8:** Congruent incumbent-successor dyads with a passive incumbent and a passive successor will be associated with less effective role transitions during and following the formal transfer of leadership when the incumbent is non-succession ready.

**DISCUSSION**

This paper responds to recent calls for understanding the micro foundations of the succession process in family firms (De Massis et al., 2012; Daspit et al., 2016). It offers a theoretical approach grounded in proactivity by drawing from the organizational behavior and family firm literatures. Incumbents and successors are powerful actors capable of strategically facilitating and shaping the succession process (e.g., Handler, 1990; Long and Chrisman, 2014; Morris et al., 1997). Taking into account that incumbents may or may not be succession ready is important to understanding the congruence
effects of incumbent and successor personality traits as they relate to the effectiveness of succession-related role transitions.

Several contributions are offered to the family firm literature by this paper. Proactive personality congruence lends insight into the effectiveness of role transitions for incumbents and successors. Considering the congruence effect of leader and successor proactive personality explains why some incumbent-successor dyads anticipate and manage the succession process better than others (Dyck et al., 2002). Also, the theorizing in this paper suggests counterintuitive effects of personality congruence on role transitions in cases of non-succession ready incumbents. For instance, some proactive incumbents not only recognize the impending need for succession, but also play an active role in shaping the succession process while others stifle it by denying their successors critical learning opportunities and exposure to the family firm (Cadjieux, 2007; Cabrera-Suárez, 2005; Le Breton-Miller et al., 2004). While this theorizing represents a departure from the congruence as well as proactivity literature, in concert, these theories serve to better inform what is known about the succession process.

Further, this theorizing addresses a neglected area in the succession literature, which is the transition following the shift in leadership from the incumbent to the successor. Although an official change in firm leadership occurs, the incumbent may still have the ability to influence firm activities. Therefore, an incumbent’s willingness to disengage from the firm will influence the succession process. Despite their ability to successfully navigate change, proactive incumbents’ willingness to do so hinges on their readiness for succession, which aligns with the notions of “can do” and “reason to” in the proactivity literature (e.g., Parker et al., 2010). In other words, incumbent disposition (i.e., their mental readiness to engage in succession) and willingness (i.e., inclination to engage in succession) both account for why they may reengage with firm activities following the formal transfer of leadership. Therefore, this paper complements the work of Sonnenfeld and Spence (1989) who argue that family business CEOs have four different exit strategies (i.e., monarch, general, ambassador, and governor) that represent the goals that incumbents have to facilitate and disengage from a firm after leadership succession. In particular, this paper suggests that these four exits strategies may also reflect the personality congruence between incumbent and successor, and the incumbent’s “readiness” to engage in the succession process.

Limitations, Ideas for Future Research, and Practical Implications

While this paper offers a variety of contributions to the extant literature, it has several limitations. First, due to the conceptual nature of this paper, empirical work is needed to provide support for the proposed relationships.
Given that there are existing measures of proactive personality as well as measures that could capture various aspects of role transition (i.e., role ambiguity), researchers have the opportunity to collect quantitative data to examine the proposed relationships and test the propositions. Proactive personality can be assessed using either the full 17-item scale introduced by Bateman and Crant (1993) or the shortened ten-item version used by Seibert and colleagues (1999). Role ambiguity can be assessed using Rizzo and colleague’s (1970) eight-item scale. Moreover, one pending empirical question relates to how “more or less effective” succession can be measured. Additionally, theory could possibly be enriched by longitudinal investigation through qualitative inquiry (Fletcher et al., 2016). Recent family business research emphasizes the importance of considering the temporal context surrounding the phenomena of interest (see Sharma et al., 2014). Thus, qualitative work would provide insight into how temporal changes in incumbent succession readiness play a role in shaping role transitions during and following the leadership succession process.

A second limitation is related to the scope of interest. Although the succession literature suggests that families, spouses, firm managers, and owners are important considerations in succession (Lansberg, 1988), theorizing in this paper focuses exclusively on the personality of the family firm leader and successor. Given this limitation, future research should consider explaining how other stakeholders affect the succession process. Also, the paper focused on intra-family succession. However, there is a growing body of research on the family firm’s dominant coalition choice between family-internal and family-external exit routes (Dehlen et al., 2014; Wiklund et al., 2013). Future studies could investigate if and how the congruence effects of incumbent and successor proactive personality change when the dominant coalition has the intention to transfer managerial control to a non-family successor or more than one successor. Finally, this paper does not take into account the generational discrepancies and differing ideologies that may affect the incumbent/successor relationship (e.g., Davis and Harveston, 1998).

Although this paper has limitations, it offers a valuable extension to the succession literature and lends itself to practical implications. One important practical implication suggested is that understanding personality congruence between an incumbent and successor can be useful in the preparation of succession plans as well as in the selection of strategies to foster succession. While Lansberg (1988) suggests a battery of strategies, understanding the unique combination of personalities could be useful in deciding which strategy would be applicable given the personalities of a particular incumbent and successor dyad. Also, future research should consider that the selection of a strategy to foster succession should take into consideration the attributes of various other stakeholders such as a spouse.
Conclusion

The field of family firm research can be enriched by studies considering the usefulness of personality in predicting behavior related to processes such as succession. This paper provides a theoretical explanation as to why an examination of the congruence effects of proactive personality lends insight into the effectiveness of role transitions during the succession process as well as post succession, thus increasing the potential predictive validity of studies on family firms. It is hoped that this paper spurs current and potential family firm researchers to draw more from organizational behavior research as they work to further develop theories of the family firm.

References


Socioemotional Wealth and Family Firm Performance: A Stakeholder Approach

Bart J. Debicki
Towson University
bdebicki@towson.edu

Robert Van de Graaff Randolph
University of Nevada, Las Vegas
robert.randolph@unlv.edu

Marcin Sobczak
CEO – MSCG
marcin.sobczak@mscg.com.pl

Family firms are globally ubiquitous and prominent across all industries and competitive environments (Gersick et al., 1997). While performance differences between family and non-family firms are widely studied within the domain of family business research, extant findings pertaining to the effects of underlying family-specific phenomena on family firm performance have been mixed (Habbershon et al., 2003; Jiménez et al., 2015; O’Boyle et al., 2012; Wagner et al., 2015). Thus, the question whether family ownership and management are favorable or detrimental to firm performance, as well as the debate pertaining to the increasingly ambiguous nature of firm performance itself in family firm contexts (Chrisman et al., 2012), are pervasive and central to the understanding of the intricacies of family firms and the determinants of their performance.

To aid in identifying the distinct characteristics of family firms, the concept of socioemotional wealth (SEW) has been used to identify and explain the unique bundle of motivations and familial obligations that may direct the strategy of
family firms towards prioritizing family-centered goals (Berrone et al., 2010; Gómez-Mejía et al., 2007). This concept includes primarily family-oriented affective endowments, pursued through operating a family business, that serve the collective needs of the owning family (Chrisman et al., 2012; Gómez-Mejía et al., 2007). Thus, SEW goals have hitherto mostly been considered an alternative, and sometimes an impediment, to the financial performance of family firms (Banalieva and Eddleston, 2011). While the SEW construct, its dimensions, and influence on firm outcomes, have been explored conceptually, there is a dearth of empirical research on how the pursuit of particular SEW-related objectives may influence performance in family enterprises. The present research addresses this gap by considering the effect that particular dimensions of SEW may have on family firm performance. Building on ongoing theoretical development of SEW models, which consider SEW to be a multidimensional construct (e.g., Berrone et al., 2012; Debicki et al., 2016), this study considers the importance of three SEW dimensions – family prominence, family continuity, and family enrichment – that reflect the motivations and goals of family firm leaders and consequently lead to specific strategic actions. In doing so, it addresses standing calls for the empirical exploration of SEW dimensions and their “…favorable or unfavorable impact on the achievement of financial objectives” (Berrone et al., 2012: 273). Thus, the main research questions of this study are as follows: could the multi-dimensionality of the SEW construct be the cause of inconsistent conclusions with respect to its relationship with firm performance in extant literature? And if so, what aspects of SEW can potentially aid family firms in achieving better performance, and what aspects of SEW are likely to have detrimental consequences for performance? The arguments are grounded in a broad stakeholder approach (Zellweger and Nason, 2008) that considers the various stakeholder groups in family firms, as well as the relationships between different outcomes of pursuing SEW-related objectives for these stakeholder units. To answer these questions, this paper develops and tests a model illustrating the unique influence of the above three SEW dimensions on the performance of family firms.

THEORY DEVELOPMENT

The pursuit and preservation of SEW is a primary distinguishing factor of family firms and encompasses the non-financial benefits that the family derives from their owned business (Gómez-Mejía et al., 2007). Since SEW is predominantly related to the pursuit of benefits beyond the financial gains derived from operating a business, theoretical inquiries usually consider SEW to be detrimental or unrelated to financial performance (e.g., O’Boyle et al., 2012). On the other hand, empirical evidence, confirmed by a recent meta-analysis, suggests that family firms generally achieve better performance than
their non-family counterparts (Wagner et al., 2015). In recent attempts to reconcile such contradictory findings, scholars have found that financial outcomes of pursuing SEW objectives are not unilaterally negative and may manifest in a variety of ways, with variable impacts on financial performance depending on a range of institutional, competitive, and strategic considerations (Gómez-Mejía et al., 2014; Strike et al., 2015). Consequently, SEW – as consisting of a wide array of needs and related benefits for the family – has recently been recognized as a multi-dimensional construct.

This paper follows extant work in the multi-dimensional conceptualization of SEW (e.g., Berrone et al., 2012; Miller and Le Breton-Miller, 2014). In doing so, however, it uses the importance of SEW to the family (SEWi - socioemotional wealth importance; Debicki et al., 2016) to assess the impact on decisions and strategies, as well as the resulting performance. The FIBER model (developed by Berrone and colleagues, 2012) defines SEW as a multidimensional construct consisting of five facets: (F) family control and influence; (I) family members’ identification with the firm; (B) binding social ties; (E) emotional attachment; and (R) renewal of family bonds through dynastic succession. Whereas the FIBER model holds theoretical value and considers a multitude of non-financial benefits to the family, the SEWi model is measurable by an empirically derived and validated scale that considers three primary dimensions of SEW most likely to impact firm decisions, strategies and, in turn, outcomes in directed and observable ways. The SEWi model dimensions, which are explained in more detail below, are: family prominence, family continuity, and family enrichment. Since the primary aim of the present study is to assess the impact of pursuing SEW-related benefits on family firm performance, it focuses on the importance of particular SEW goals to the family and utilizes the SEWi scale to empirically measure their salience in family firms.

The authors recognize, however, that the three SEWi factors overlap with some of the FIBER categories, which include the continued control and influence of the family within the firm, employment and active presence of family members within the firm, the permeation of familial social ties within the firm’s culture, an emotional convergence between family and firm social systems, and use of the firm as a vehicle for renewing family bonds through dynastic succession (Berrone et al., 2012). For instance, family continuity captures elements of Berrone et al.’s (2012) “family control and influence” and “renewal of family bonds through dynastic succession” dimensions but it also alludes to maintaining family unity and carrying out family values, thus painting a richer picture of the notion of continuity and sustainability. SEWi’s family prominence factor likewise captures the FIBER “binding social ties” dimension, as well as some aspects of “identification.” On the other hand, the family enrichment factor of SEWi, which emphasizes the importance of meeting family members’ needs, taps into an element of SEW that is mentioned by
others (Chrisman et al., 2012; Zellweger and Nason, 2008) but neglected by Berrone and colleagues (2012). Most notably, however, although the current paper acknowledges the conceptual plausibility of the FIBER model and its scientific value, it is a theoretical notion and thus cannot be unreservedly applied in empirical studies.

In this study, SEW is defined as the *array of non-financial benefits specifically associated with the well-being and affective needs of family members that are derived from operating a business enterprise* (Debicki et al., 2016). However, this construct and its dimensions are considered in terms of their *importance* to family firm owners. This treatment of the SEW construct is dictated by the argument that the importance attached to such benefits drives decision-making and firm behavior and thus has the potential to impact performance. While it is recognized that SEW is a stock or an endowment in a family firm, this study posits that this endowment is best represented by the importance of the potential benefits it offers to family business owners and that the preferences for specific benefits (i.e., their importance) are likely to vary across family firms.

Consequently, the salience placed on these dimensions will lead to potentially varied performance outcomes for different stakeholder groups in family firms. Specifically, family firms are expected to develop strategies that conform to pressures from four distinct stakeholder groups: the *individual*, the *firm*, the *family*, and the *society* (Zellweger and Nason, 2008). Furthermore, the family business literature recognizes various categories of relationships between performance outcomes with respect to their effect on one or more of the above stakeholder groups. These relationships can be characterized as *overlapping*, *causal*, *synergistic*, and *substitutional* (Zellweger and Nason, 2008).

*Overlapping* relations between performance outcomes indicate that one performance outcome (financial or non-financial) can satisfy multiple stakeholder groups. For instance, family firm reputation can be a source of satisfaction, as well as financial benefits, for the family that owns the business, but also for individual family members, the organization itself, and the society in which the firm resides (Zellweger and Nason, 2008). *Causal* relations signify a situation where one performance outcome causes a different performance outcome which, in turn, satisfies a different stakeholder. In family firms, family harmony has been considered to stimulate outcomes such as trust among managers, which in turn leads to stronger efforts to innovate on the organization level (Corbetta and Salvato, 2004). Such harmony-based relations within the family firm, however, may also reduce agency costs, which would allow the firm to forgo costly control mechanisms and consequently increase family wealth (Zellweger and Nason, 2008). *Synergistic* relationships are characteristic of two different performance outcomes that can affect each other in the same direction – positively or negatively. Pursuing non-economic goals, for example, does not necessarily decrease economic value (and vice-versa) due
to synergistic effects such as the positive reputational effect of pursuing and achieving superior financial results. Synergistic effects can arise between various stakeholder groups or within the same unit, but also between financial and non-financial performance outcomes.

Finally, the \textit{substitutional} relationship between outcomes indicates that one performance outcome can be traded for another. The decisions involved in substituting outcomes may include selecting between two positive or two negative results, but also trade-offs between a positive and a negative outcome. For instance, substantial innovation-related investment is likely to facilitate new product market entry, but may undermine short-term profitability (Lumpkin and Dess, 1996). As such, the firm as a stakeholder may have to balance these two contrasting outcomes and potentially substitute one for the other. Utilizing the above typology regarding the stakeholder units in family firms, this study develops a model illustrating the varied impact of particular dimensions of SEW (family prominence, continuity, and enrichment) on performance.

\textbf{SEW Dimensions and Family Firm Performance}

\textit{Family prominence} refers to the importance of perceptions about the family by external stakeholders in the community at large, and reflects the family’s general reputation and social support within the community (Debicki \textit{et al.}, 2016). In particular, families that prioritize prominence goals tend to develop businesses that are recognized for their accomplishments and generous actions designed to increase the well-being of the community in which they reside. This recognition and social support can be disseminated throughout the community as a whole, as well as the family’s social network which can include extended family, friends, and acquaintances (Corbetta and Salvato, 2004; Tagiuri and Davis, 1992). This suggests that prominence-related goals satisfy the demands of the four primary family firm stakeholder groups simultaneously. Thus, following the family firm stakeholder classification, the benefits of pursuing such goals can be considered \textit{overlapping}.

Specifically, an individual will share in the benefits of developing, owning, or simply being involved in an organization known for its commendable conduct, ethical business practices, and/or generous actions in the community. According to social identity theory (Dyer and Whetten, 2006), entrepreneurs consider their firms to be extensions of themselves and their families and thus are more likely to be socially responsible. Consequently, members of an owning family may derive satisfaction and individual utility from the fact that their firm has gained a prominent status in their community.

These benefits, however, are not solely awarded to the family, as the firm itself also benefits from a high social status of the family. Enhancements to the family firm’s prominence in community networks – including the business
community – bolster the firm’s reputation as a reliable and trustworthy business partner. Advantages of high prominence and good reputation may include access to more contracts and facilitated development of partnerships (Arya and Salk, 2006) and recognition as a respectable employer and thus better capability of attracting high-quality job candidates (Connelly et al., 2011). Thus, these prominence-related advantages can be leveraged in the broader business environment and across the firm’s supply chain (Sirmon and Hitt, 2003), which can have a variety of positive outcomes on firm performance. In particular, from the resource-based perspective, reputation has been argued to be one of the most critical strategic resources (Flanagan and O’Shaughnessy, 2005) that distinguishes firms from their competitors (Peteraf, 1993), reduces consumer uncertainty and information asymmetry (Weigelt and Camerer, 1988), and may serve as a substitute for costly governance mechanisms (Kogut, 1988). As such, it is likely to have a positive effect on performance (Fombrun and Shanley, 1990; Roberts and Dowling, 2002; Shamsie, 2003).

Preservation of family prominence may also have operational utility. As noted by Arregle et al. (2006), family connections often help the family conduct business. For instance, family firms can leverage their reputation to acquire new customers through the family network. The success of such tactics relies on customers being more likely to conduct business with a firm run by a family that they know and trust or a family that has a positive reputation in the community. Such advantages gained in specific markets by pursuing goals aimed at developing a prominent status of the family and the firm, are expected to reduce costs and enhance performance.

On the other hand, it is plausible that from the point of view of the firm stakeholder, which may be largely focused on strictly financial outcomes, the pursuit of family prominence objectives could appear detrimental to performance. For instance, in the short-run a firm may decide not to pursue new, more attractive business relationships (such as switching to a better/cheaper supplier or distributor) in an effort to preserve and nurture existing relationships. Similarly, a firm may forego an investment opportunity if it is not environmentally sustainable because it may negatively affect its reputation. Thus, prominence-related preferences and resulting strategies may serve to satisfy some stakeholders, such as the individual or the family, while being detrimental to performance. Prominence objectives could, therefore be, in some aspects, substitutional rather than overlapping – as positive outcomes of such strategies for the family and its individual members may be offset by the negative consequences for the firm.

However, in their pursuit of prominence goals, family firms have also been argued to develop richer social capital (Sirmon and Hitt, 2003), which has been shown in literature to positively affect performance in a variety of contexts, including small businesses (Morris et al., 2007). Furthermore, Nahapiet and
Ghoshal (1998) argue that the positive outcomes of developing social capital include advantages related to the creation of intellectual capital, which in turn manifests itself in positive organizational outcomes, such as performance. This causal characteristic of the social capital aspect of family prominence objectives can therefore be considered valuable for enhancing family firm performance.

Consequently, there seem to be good theoretical arguments, supported by some empirical evidence, suggesting that prominence is positively related to performance. Moreover, Boyd *et al.* (2010) argue that prominence and reputation cannot be bought through investments but rather must be achieved in the process of nurturing complex relationships and developing interdependencies. Because of their ability to do so, in part due to familial relationships and social networks, family firms that pursue prominence goals are expected to achieve superior performance. Therefore, the following is argued:

_Hypothesis 1: Importance of family prominence is positively related to performance in family firms._

*Family continuity,* as the second dimension of SEW, represents the internal benefit of the preservation of the family in the business. It is related to the intrinsic satisfaction that family members derive from being able to contribute to the transgenerational sustainability of the family. For example, family firms that prioritize this dimension consider the unity of the family as an important goal and value the development of an environment in which members of the family can work as a unit, make decisions efficiently, and work together towards agreement. Family continuity is about the preservation of the family dynasty in the business (Jones *et al.*, 2008) and perpetuation of family values through the operation of the business. Family owners value the above SEW benefits consequently aimed to maintain family control of the firm across multiple generations (Debicki *et al.*, 2016).

Benefits of pursuing continuity in the family firm, through organizing a structure that fosters family unity and where the values of the family are perpetuated in the business, will ensure certain levels of satisfaction and accomplishment in individual stakeholders. Securing the continuity of family dynasty requires the continued success of the business itself. While this indicates that the pursuit of family continuity is aligned with the pursuit of financially viable options, it is conceivable that the long-term strategic time horizon of these pursuits may not be aligned with the often short-term performance motivations of non-family stakeholders (Zellweger, 2007). As such, the impact of striving for family continuity on performance is multi-faceted and requires a more nuanced examination of the consequences for various stakeholder units.
It is argued herein that the relationship between the performance outcomes of pursuing continuity goals in family firms may be characterized as causal and synergistic, and in some instances overlapping (Zellweger and Nason, 2008). For instance, due to their transgenerational outlook and the desire to preserve the family dynasty in the business and convey family values to younger generations, family firms tend to develop patient capital, which cultivates relationships with societal stakeholders and maintain effective relations with support organizations (banks, suppliers, and other business partners), thereby maintaining legitimacy within the society (Lounsbury and Glynn, 2001). Such eminent relations with external stakeholders lead to competitive advantages and further enhance performance (Arregle et al., 2007), for instance, through absorbing the cost of managing complex cooperative relationships (Mohr and Puck, 2013).

As noted above, the family continuity dimension includes the instilment of family values in the operation of the business (Debicki et al., 2016). When translated to business goals and strategies, family values are liable to include sustainable, ethical business practices, which have been shown to lead to performance enhancements. Sorenson and colleagues (2009) found, for example, that the presence of ethical norms facilitated the development of social capital in family firms, which in turn enhanced family firm performance. Handler (1990) notes that in family firms that emphasize the importance of preserving the ability to perpetuate family values through several generations of family members involved in the business, these values are demonstrated in how transactions are handled, customers and business partners are treated, and other ways in which the family firm conducts its business. Indeed, strategies based on developing such trustworthy, respectful, and sustainable relationships with customers, business partners, and society are positively related to performance (Fink, 2010; Mohr and Puck 2013; Robson et al., 2006). Consequently, such mechanisms will generate performance benefits not only for the firm itself but also for the firm’s customers and suppliers (as trust-based relationships benefit both parties) and are likely to be advantageous for societal stakeholders (as sustainable business practices usually involve considerations of the environmental impact). As such, the outcomes of such objectives are overlapping and create benefits for various stakeholder units.

Family continuity may also have more intrinsic benefits to the firm as a stakeholder, in that it may create an environment in which a family can effectively work as a unit, make decisions together and work towards agreement and convergent long-term goals (Debicki et al., 2016). Such goals will likely involve gathering input from multiple family members involved in the firm, so as to ensure inclusion, foster collaboration, and minimize threats of information asymmetry, which should facilitate long-term strategic development and thus lead to performance enhancements (Howorth et al.,
Indeed, organizational environments that foster collaboration, dialogue, and cooperation in family firms have been found to be beneficial to both the firm in terms of performance, as well as to the family, through leading participants to gain an understanding of deeply held beliefs and values of the family that influence decisions in the firm and further translate to the firm’s mission, norms, and policies (Sorenson, 1999).

Conversely, it is conceivable that some aspects of pursuing family continuity in the business may have a negative effect on performance. Specifically, since the continuity dimension of SEW emphasizes family dynasty-related goals and the maintenance of family values through the operation of the business, it is inherently oriented towards the long-term (Zellweger, 2007). Such an approach, applied consistently throughout the operation of the business, albeit conducive for preservation and survival, may preclude the exploitation of short-term opportunities which have a potential for immediate financial gain. Furthermore, family firms have been shown to accept greater hazards to their financial performance by avoiding investments that would cause performance variability in order to preserve their ability to maintain family control and thus ensure family continuity in the business (Gómez-Mejía et al., 2007). Hence, the propensity for inter-generational considerations and the desire to secure continued dynastical family involvement and control may, in some cases, harm overall performance (Chrisman et al., 2008; Jones et al., 2008).

Nevertheless, the above potential detriment to the financial performance limits the utility for only one of the four stakeholder categories, namely the firm itself. While it is acknowledged that the negative impact on the organizational stakeholder is highly important as it may subsequently, due to its causal character, negatively affect other stakeholders, such as the individual and the family (as underperforming family firms may eventually fail and thus cease to serve as a vessel for the family to generate SEW-related benefits), the potential performance benefits of pursuing family continuity for these other stakeholders are expected to outweigh short-term financial hazards as family firms tend to attract stakeholders that prioritize long-term stability, preservation of family control, and survival of the firm (Poza et al., 1997; Berrone et al., 2014).

Since continuity-related objectives, especially those pertaining to the preservation of the family dynasty in the business and perpetuation of family values, are closely related to the long-term orientation of family firms (Zellweger, 2007; Ward, 1987), the above expectation is dictated by research findings indicating that long-term orientation is the primary reason why family firms consistently outperform their non-family counterparts (e.g., Miller and LeBreton-Miller, 2005). Among the factors contributing to this trend is the fact that long-term orientation in family firms is related to higher levels of innovativeness and proactiveness, as discussed by Lumpkin et al. (2010). Indeed, prior studies have found family firms to perform better than their non-
family counterparts with respect to sales growth (Chrisman et al., 2002; Zahra, 2003; Lee, 2006), as well as an array of traditional profitability measures (Anderson and Reeb, 2003; Villalonga and Amit, 2006; Martinez et al., 2007). Their long-term outlook, which is the essence of the continuity dimension of SEW, is thus considered the main source of competitive advantage for family firms (Habbershon and Williams, 1999; James, 1999; Gómez-Mejía et al., 2007). Consequently, in family firms that consider such long-term continuity benefits to be highly important, performance is likely to be enhanced. Stated formally:

**Hypothesis 2:** Importance of family continuity is positively related to performance in family firms.

*Family enrichment*, the third SEW dimension, reflects the desire of firm owners to fulfill a broader range of obligations towards family members and represents the altruism towards the family at large, as opposed to only those members directly involved in the business. Altruistic behaviors have been long recognized as common idiosyncrasies within family firms (Schulze et al., 2002). Firms that consider these general family obligations to be highly important value the ability to provide employment for family members (Jones et al., 2008), as well as the ability to provide general help to the family, so as to enhance its happiness and well-being. As such, the use of firm resources to satisfy family enrichment goals may carry an inherent threat for other stakeholders in terms of performance.

In particular, considering the tenets of stakeholder theory as applied to family firms, the benefits of pursuing family enrichment goals are often *substitutional* in nature. According to Zellweger and Nason (2008), outcomes may be substituted within the same stakeholder unit, but also across various stakeholder units. For example, employment of a family member may preclude the firm from hiring an outsider with higher qualifications (Jones et al., 2008), whereby the utility of the individual family member and the family itself will be enhanced, but at the expense of performance. This relationship is further enhanced by the variety of stakeholder roles that an individual may assume in a family firm. Jones et al. (2008) observed that family members in leadership positions set the strategic direction and pace of the organization, but the duality of their connection to the firm, in this case identification and wealth, may cause rigidity in terms of its growth and diversity (Anderson and Reeb, 2003; Kets de Vries, 1993; Thomsen and Pedersen, 2000). Family leaders’ complex organizational attachment involves control and authority, on one hand, and commitment to their role in the firm and in the family, on the other. As representatives of the family seeking to maximize family enrichment, they face a conflict of interest against the possible negative consequences for the firm as a stakeholder, which may lead to the substitution of the well-being of the family.
in place of the performance of the firm. Similarly, Gómez-Mejía et al. (2010) stated that in their pursuit of SEW, family firms give preference to family members with regard to promotion, which carries an inherent business risk and therefore a hazard to performance.

Furthermore, the positive outcomes of family enrichment are centered entirely on the family system with little to no options for operational synergies or strategic overlap. While benefits such as family harmony may fulfill psychological needs of the family and enhance family member quality of life, evidence suggests that these activities may contrast with the physiological and safety-related needs of financial stability (Gómez-Mejía et al., 2007; Jones et al., 2008). Thus, it is argued that family enrichment is most effectively characterized by the substitutional nature of its outcomes for family firm stakeholders, and posited that family enrichment benefits the family at the direct expense of firm performance. It is, nevertheless, necessary to acknowledge these arguments do not suggest that family enrichment is not a necessary expense for satisfying demands of family stakeholders, and may have indirect benefits such as family cohesion, family standard of living, and the psychological well-being of family owners. These benefits may alter family member perceptions of being a valuable part of the family, as well as considering their family to be valuable to them and holding their family in high esteem (Dobbins and Zaccaro, 1986; Kidwell et al., 1997), which is likely to increase motivation, dedication and commitment to the family business, thereby indirectly increasing performance. However, these indirect benefits are catalyzed by the cost to the firm and may conflict with the demands of non-family stakeholder groups. Thus, while it is recognized there may be exceptions and side benefits to family enrichment, this study posits that its effect on family firm performance is likely to be negative:

_Hypothesis 3: Importance of family enrichment is negatively related to performance in family firms._

**METHODOLOGY**

Data used to test the model were gathered from owners of family firms in southeastern Poland. The survey was constructed in English, then translated to Polish and back to English by an independent party. Slight adjustments were made in the process to ensure content similarity between the two language versions. Contact information for the firms was provided by several consulting firms operating in the region. All firms that were cooperating with the consulting firms were contacted by telephone or email, and the owners were asked to complete an online survey after answering four screening questions (in order to ensure that their firms met the definitional criteria for being included
in the study). The screening questions were as follows: (1) Are you a business owner? (2) Do you consider your business to be a family business? (3) Other than yourself, do other family members have management responsibilities within the company? and (4) Does your family (including yourself) own more than 10% of the company? With regard to the final question, while 10% ownership was used as a pre-screening criterion, the final sample only included firms with at least 50% family ownership which is more appropriate considering the structure of the sample, which included primarily small businesses.

In determining the criteria for including the firms in this study, Chua and colleagues’ definition of a family firm is utilized, wherein a family firm is “a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.” (1999: 25) This definition has been operationalized in previous studies (e.g., Chrisman et al., 2007) by measuring the (1) percentage of the business owned by family members, (2) number of family managers, and (3) the expectation related to a family member being the future successor-as-leader of the business. The above screening questions ensured that the first two criteria are satisfied. In addition, the respondents were asked a “yes” or “no” question pertaining to the expectation regarding the future successor in the firm.

A total of 463 firms were contacted by telephone or email and 172 respondents entered the survey site. The dataset was reviewed for arbitrary responses, incomplete surveys, outliers, and uniform responses across all scale items. In addition, the response times were analyzed to eliminate respondents who completed the survey in an exceptionally short period of time (under 3 minutes). These procedures yielded a sample size of 133 and an effective response rate of 28.73%. The variables used herein and the methods of their measurement are described below.

**Dependent Variable**

**Firm Performance.** The dependent variable was assessed using an eight-item scale ($\alpha = 0.980$) that considers multiple performance outcomes, including returns, profitability, and growth, as compared to the firm’s competition. The scale has been adapted from previous studies that utilized subjective performance measures (e.g., Kellermanns and Eddleston, 2006). The responses were recorded on a five-point Likert-type scale ranging from “1” (much worse) to “5” (much better). A subjective measure of the above performance indicators was utilized due to the fact that most of the firms in the sample were small businesses, which have been found to be reluctant to divulge financial information. As such, subjective measures are often more effective in
terms of obtaining a satisfactory response rate (Droge et al., 2004). Furthermore, studies suggest a relatively high level of correspondence between subjective and objective measures of firm performance (Dess and Robinson, 1984; Venkatraman and Ramanujam, 1986). The multi-factor performance assessment is preferred considering the geographically restricted nature of the sample, its size, as well as the firm industry, size and age of firms in the sample (Lechner and Gudmundsson, 2014; Liozu et al., 2014). The performance items were used as independent reflective indicators of a broader performance construct and shared covariance (and error) terms of these items were used in the analysis, as is the case for all covariance-based SEM methods.

Independent Variables

The three SEW dimensions considered in this study were measured using the SEW-Importance (SEWi) scale developed by Debicki et al. (2016). These dimensions are family prominence ($\alpha = 0.824$), family continuity ($\alpha = 0.863$), and family enrichment ($\alpha = 0.830$). For these scales, respondents were asked to rate the importance of various benefits of operating a family firm, such as: recognition of the family in the domestic community for the generous actions of the firm; preservation of family dynasty in the business; and consideration of the needs of the family in business decisions. The responses for all three dimensions were recorded on a five-point Likert-type scale ranging from “1” (not important) to “5” (very important). While SEWi data were collected at the same time as performance data, which may pose a potential limitation, SEWi is a stock variable that is relatively stable over time within family firms. For example, many of the phenomena that are either related to or compose SEW, such as legacy, reputation, tradition, transgenerational intentions, social capital, etc., are considered to provide family firms with the stability that distinguishes them from non-family firms and, in many cases, grants them a competitive advantage (Arregle et al., 2007; Melin and Salvato, 2012).

Control Variables

In order to safeguard the analysis against the impact of factors other than those investigated, several control variables were used. Following previous studies (Chrisman et al., 2009), firm size was assessed using the total number of employees in the firm. This control was necessary due to the fact that size may affect performance (e.g., Chu, 2011; Samiee and Walters, 1990). In addition, in larger firms there may be a greater disparity between the number of family and non-family employees, which may make it more difficult to pursue SEW-related goals and translate them to performance outcomes for various stakeholders.
Second, older and more established firms may enjoy a higher reputation within their communities, have more experience in sustaining family control of the business, and have more opportunities within the organization to fulfill the family obligations related, for instance, to family enrichment needs. To account for this potential effect, firm age was assessed by asking the respondents to indicate the year in which the firm was established and subtracting this number from the year in which the survey was administered. Following previous studies (Chrisman et al., 2012), firm industry was determined by asking the respondents to classify their company into one of four categories: (1) retail; (2) service; (3) manufacturing; or (4) other. Categorical variables were coded 1-0 to indicate belonging to retail, service, or manufacturing industry. Firms in other industries were assigned a value of 0 for each of the variables.

The scale items, component loadings, and reliability tests are illustrated in Table 1.

Sample Characteristics and Pre-Tests

The firms in the sample used herein were mostly small businesses with the total number of employees ranging from 2 to 98, with a mean of approximately 6 employees. Firm age ranged from relatively new ventures of two years, to more established enterprises (maximum firm age was 69 years, average firm age was 18.47). Among the firms in this sample, 22.6% operated primarily in the retail industry, 18.8% were service firms, while most (53.4%) were manufacturing enterprises. The remaining 5.3% identified their industry as “other.” On average, firms employed four family members with three performing management functions. In 70.7% of the firms, ownership was concentrated within one generation (two generations – 27.1%; three generations – 2.2%). In terms of governance, 64.7% of the firms in the sample were managed by one generation of family members, 35.3% by two generations. None of the firms were governed by three or more generations of family members. The minimum family ownership in the sample was 50%; 61.7% of the firms were 100% family owned, while the average family ownership was 86.97%. Descriptive statistics and correlations are shown in Table 2.
Table 1
Confirmatory Factor Analysis - Component Loadings

<table>
<thead>
<tr>
<th>Anonymized Scale Items</th>
<th>Component (C) Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognition of the family in the domestic community for</td>
<td>0.93</td>
</tr>
<tr>
<td>generous actions of the firm</td>
<td></td>
</tr>
<tr>
<td>Accumulation and conservation of social capital</td>
<td>0.85</td>
</tr>
<tr>
<td>Maintenance of family reputation through the business</td>
<td>0.63</td>
</tr>
<tr>
<td>Maintaining the unity of the family</td>
<td>0.88</td>
</tr>
<tr>
<td>Preservation of family dynasty in the business</td>
<td>0.92</td>
</tr>
<tr>
<td>Maintaining family values through the operation of the business</td>
<td>0.92</td>
</tr>
<tr>
<td>Happiness of family members outside of business</td>
<td>0.96</td>
</tr>
<tr>
<td>Enhancing family harmony through operating the business</td>
<td>0.94</td>
</tr>
<tr>
<td>Consideration of the needs of our family in our business</td>
<td>0.84</td>
</tr>
<tr>
<td>Overall performance perceptions compared to primary competitors</td>
<td>0.79</td>
</tr>
<tr>
<td>Returns from last 3-5 years compared to established expectations</td>
<td>0.83</td>
</tr>
<tr>
<td>Growth in sales</td>
<td>0.71</td>
</tr>
<tr>
<td>Growth in market share</td>
<td>0.75</td>
</tr>
<tr>
<td>Growth in profitability</td>
<td>0.80</td>
</tr>
<tr>
<td>Return on equity</td>
<td>0.83</td>
</tr>
<tr>
<td>Return on total assets</td>
<td>0.74</td>
</tr>
<tr>
<td>Profit margin on sales</td>
<td>0.54</td>
</tr>
</tbody>
</table>

*Note:* Orthogonal rotation; C1 = Family prominence ($\alpha = 0.824$); C2 = Family continuity ($\alpha = 0.863$); C3 = Family enrichment ($\alpha = 0.830$); C4 = Firm performance ($\alpha = 0.98$)
<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>S.D.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Family Prominence</td>
<td>3.54</td>
<td>0.82</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Family Continuity</td>
<td>3.70</td>
<td>0.95</td>
<td>0.657*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Family Enrichment</td>
<td>3.68</td>
<td>0.82</td>
<td>0.478*</td>
<td>0.641*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Firm Performance</td>
<td>3.18</td>
<td>1.17</td>
<td>0.154†</td>
<td>0.112</td>
<td>0.116</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Firm Size</td>
<td>4.38</td>
<td>2.71</td>
<td>-0.073</td>
<td>-0.099</td>
<td>0.448**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Firm Age</td>
<td>17.03</td>
<td>11.90</td>
<td>-0.039</td>
<td>-0.046</td>
<td>-0.089</td>
<td>0.240**</td>
<td>0.376**</td>
<td>1</td>
</tr>
<tr>
<td>7. Industry</td>
<td></td>
<td></td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
</tbody>
</table>

**p < 0.01; *p < 0.05, † < 0.1
Procedural controls suggested by Podsakoff et al. (2003) were implemented, including psychologically and temporally separating the concepts measured in the online survey by dividing the questionnaire into segments with distinct instructions (p. 888) in order to minimize the effect of common method variance (Craighead et al., 2011; Harrison et al., 1996). To statistically test the success of these procedural measures, several tests were performed prior to testing the model in order to ensure the data quality and the appropriateness of the statistical procedures used. The highest observed variance inflation index (VIF) was 2.57 and the highest value of the condition index was 3.60, both below the values that would indicate multicollinearity (Hair et al., 2010).

Common method variance was tested using the Harmon one-factor test (Podsakoff and Organ, 1986). The results indicated a poor data fit ($\chi^2[119] = 1235.95; \text{RMSEA} = 0.283; \text{CFI} = 0.358; \text{TLI} = 0.266$) warranting further investigation through a confirmatory factor analysis. The method factor did not account for significant variance, which indicates the lack of a common method bias (Podsakoff et al., 2003). Next, all variables were included in an exploratory factor analysis. The unrotated principal components factor analysis and the principal components analysis with varimax rotation both yielded three distinct factors with eigenvalues greater than 1.0. The factors cumulatively accounted for 68% of the variance and the first factor did not account for a majority of the variance (31.07%), further indicating the absence of a common method bias. While the approach used herein may not have been able to mitigate the threat of common method bias entirely, the combination of statistical and separation strategies is considered the “ideal” approach to abating this issue (Craighead et al., 2011: 581).

Data Analysis and Results

The research model developed in this study was tested using a series of structural equation modeling analyses (Mplus 7; Muthén and Muthén, 2012). The measurement model was evaluated using confirmatory factor analysis procedures which suggested that the data fit the model adequately ($\chi^2[113] = 204.46; \text{RMSEA} = 0.083; \text{CFI} = 0.947; \text{TLI} = 0.937$). In order to ensure the predictive validity of the measurement model, its fit was compared against an alternative model developed using a covariance matrix, which partials out the effect of three control variables (following Antonakis et al., 2010), namely firm size, age, and industry. When effects of these variables are partialled out, the measurement model retains adequate, though reduced, fit. Further inspection suggests that this reduction in fit is primarily due to covarying error terms between the control variables themselves, while the average variance extracted between the IVs and the DV remain unchanged. Further, the final measurement model was compared to a range of alternative and null models;
the final model possessed superior fit, registered adequate average variance extracted values across all constructs, and presented no concern for the convergent or discriminant validity of the items or any construct in the hypothesized model.

The final structural model tests the relationship of the three SEW dimensions illustrated in the CFA with firm performance. The results are summarized in Figure I. The model exhibits superior fit ($\chi^2[107] = 138.17; \text{RMSEA} = 0.049; \text{CFI} = 0.982; \text{TLI} = 0.977$) compared to the measurement model, thus reinforcing the directionality of the hypotheses. Family prominence was strongly and significantly related to higher performance (0.414; $p < 0.01$), as was family continuity (0.692; $p < 0.05$); lending support to Hypotheses 1 and 2. While family enrichment was negatively associated with performance, the path coefficient in the model registered only marginal significance (-0.492; $p < 0.1$), thereby lending marginal support to Hypothesis 3.

Figure 1
Structural Model

![Structural Model Diagram]

(\(\chi^2[107] = 138.170; \text{RMSEA} = 0.049; \text{CFI} = 0.982; \text{TLI} = 0.977\))

**$p < 0.01$; *$p < 0.05$, †$p < 0.1$
Post-Hoc Robustness, Linearity, and Validity Tests

A series of post-hoc robustness tests were performed to ensure the validity of the findings. Potential problems arising from issues of causality and endogeneity primarily result from correlations between an IV and error terms and thus SEM-based results, when established from validated measurement models as above, are less prone to endogeneity biases due to model fit statistics taking account of error term correlations (Antonakis et al., 2010; Semadeni et al., 2014; Bergh et al., 2014). Nevertheless, while the tested structural model is less prone to threats of omitted variable and measurement bias, it does not remove the endogeneity threat of simultaneous causality among the variables (Weigl et al., 2010; Bergh et al., 2014). Thus, a series of bootstrapped models with randomized sample subsets were conducted using a battery of models altering the directionality of the arguments, the impact on the overall model fit with the removal of variables from the model, and the interaction between the variables (e.g., Antonakis et al., 2014; Sardeshmukh and Vandenberg, 2016).

The best fitting alternative model \( \chi^2[190] = 2666.18; \) RMSEA = 0.197; CFI = 0.667; TLI = 0.620 did not exhibit an adequate model fit, which further illustrates the validity of the final model tested in this study.

While these tests suggest that performance outcomes may cyclically impact the salience of SEW-related objectives within family firms, these relationships are considerably less significant than those in the hypothesized structural model for all three SEW dimensions: prominence (0.497; \( p > 0.1 \)); continuity (0.391; \( p < 0.1 \)); and enrichment (0.466; \( p < 0.1 \)). Finally, when these indirect effects and error terms are used as predictive indicators, suggesting error term correlations underlying an endogeneity bias, the overall model fit weakens \( \chi^2[113] = 204.46; \) RMSEA = 0.083; CFI = 0.947; TLI = 0.937, providing further evidence to the robustness of the model. Although these tests do not wholly remove endogeneity concerns, they support the validity of the model and considering the lack of appropriate instrumental variables available in the dataset to perform further tests, as noted in the limitations section below, they illustrate the predictive validity of the hypothesized model. Further, the post-hoc linearity tests suggest that the hypothesized direct effects model registers superior fit compared to any combination of curvilinear structural models, which suggests that the validity of the findings is not threatened.

Finally, the multidimensionality of the SEW construct considered in this study was tested using a series of paired and three-way effect models with co-varied error terms of the three IVs. While the results of these tests may suggest some overlap between the IVs, most notably the predilection of family enrichment items to load with family continuity (0.891; \( p < 0.05 \)), the effects of this convergence bias are marginal, with no discernable impact on overall model fit or average variance extracted when relevant structural paths are
opened or restricted. Together these tests illustrate the robustness of the hypothesized model and the findings.

DISCUSSION

The findings support the theoretically derived model of the relationships between the importance of three SEW dimensions (family prominence, continuity, and enrichment) and family firm performance. Specifically, the results suggest that SEW goals that prioritize family prominence and continuity represent a strategic alignment between various stakeholder units in family firms and thus lead to positive performance outcomes. For instance, the pursuit of family prominence appears to benefit all four family firm stakeholder units: the individual, the firm, the society, and the family itself, and thus has a positive impact upon performance. In terms of the family continuity dimension of SEW, which emphasizes transgenerational dynastic continuity in the firm, family unity and the perpetuation of the family values in the business, the salience of such goals is also likely to result in increased performance, which seems to confirm the results in prior studies that indicate the positive effects of family firms’ inherent long-term orientation (Zellweger, 2007; Miller and LeBreton-Miller, 2005).

Conversely, the findings lend support to the argument that investments made towards family enrichment goals disproportionately benefit family firm stakeholders. Considering the substitutional character of the outcomes for different stakeholders, family enrichment goal salience presents a potential limitation to achieving higher performance.

These conclusions contribute to numerous on-going discussions within the family business research domain. Primarily the findings of this study answer the call for a better understanding of the dimensionality of SEW and how the pursuit of different SEW dimensions may align or conflict with financial performance (e.g., Berrone et al., 2012: 273). The findings also provide a stronger appreciation of the strategic value of SEW in family firms (Gómez-Mejía et al., 2014; Sharma and Sharma, 2011; Vandekerkhof et al., 2014). A three-dimensional model of SEW is discussed that bundles motivations and goals by their distinctive alignments – or lack thereof – to various stakeholder groups, as conceptualized by Zellweger and Nason (2008). The presented model of SEW provides clarity for empirical testing, and thus addresses the limitation that has long been recognized in extant SEW research, which is predominantly conceptual (Miller and Le Breton-Miller, 2014) or based on proxy measures of SEW that do not account for the potential varied effect of different SEW dimensions. The results presented in this paper provide evidence supporting the multi-dimensional conceptualization of SEW in that they indicate the positive impact of some aspects of SEW, while pointing to the
negative effect of others, at least in terms of their relationship with family firm performance.

As such, the answer to the primary research question posed in this study is affirmative and points to the possibility that the mixed theoretical and empirical findings in extant literature regarding the impact of SEW on various outcomes in family firms may, indeed, be caused by the failure to consider the multi-dimensional character of this concept and the possibility that particular aspects of SEW (i.e., different benefits that the family derives from operating a business) may be positively related to specific outcomes, while others may have a negative effect. These results point to several implications for family firm practice and research.

Implications for Research and Practice

The results of this study indicate that family businesses should weigh the benefits of pursuing particular SEW goals against the potential financial hazards of such strategies. Specifically, family firms may aim to increase their performance by pursuing family prominence objectives, wherein individual family members would increase their utility related to participating in a prominent and reputable organization, thereby increasing their commitment to the firm and strengthening the bond with the family. Simultaneously, the firm itself will enjoy a reputation as a reliable and trustworthy business partner, which has been documented to have a positive impact on performance (Fink, 2010; Mohr and Puck, 2013). The community in which the family firm resides is likely to enjoy enhancements to the standard of living and general improvements to the community, including potential environmental benefits; and the family stakeholders will share in the social capital benefits developed through the business, which in turn have been shown in prior research to increase performance (Morris et al., 2007).

Similarly, by emphasizing family continuity goals, family firms may achieve higher performance through creating an environment in which the family can work together as a unit, become more cohesive and thus more effective and efficient in solving problems and making decisions. When striving to preserve the family dynasty in the business and securing the firm as a vessel to convey family values to younger generations, family firms develop patient capital and focus on long-term returns (James, 1999; Anderson and Reeb, 2003), which grants them unique competitive advantages and results in higher performance.

On the other hand, however, family firms should exercise caution when emphasizing family enrichment goals. While such goals may benefit family stakeholders, those benefits may be outweighed by a reduction in the overall performance of the firm. For example, securing a job for a family member who is less qualified than an outside hire (Jones et al., 2008) means that the non-
economic utility of the individual family member and perhaps the family itself is maximized but only at the expense of the performance of the firm. While some of the negative consequences of hiring an under-qualified family member may be offset by his or her high commitment and dedication to the family in comparison to a non-family employee, the overall performance of the firm is likely to decline, as evidenced by the results.

The results discussed herein also reveal implications for research in family firms, especially when studying the consequences of SEW objectives. In particular, researchers concerned with SEW-related issues should consider the multi-dimensional nature of the SEW construct and analyze the potential varied effects that particular dimensions may have on the studied phenomena. While the results suggest that family prominence and continuity are positively associated with performance, while family enrichment is negatively related to performance, these relationships may be different in other contexts and the SEW dimensions may behave differently depending on whether they are considered as antecedents or consequences of the studied phenomena. This paper considers SEW as an antecedent to performance in the theoretical argumentation, but due to the cross-sectional nature of the data, it was only possible to analyze (through the use of SEM) the overall structure of the hypothesized relationships and the model fit, rather than causal effects. This and other limitations, as well as potential directions for future research, are discussed in the following paragraphs.

**Limitations and Future Research**

One of the limitations of this study is the specificity of the sample related to the fact that the respondents were from a distinct region in Europe and operated within a particular economic and social reality following decades of political, legal, and economic turbulence. Since there may be cultural and contextual premises of firm strategy, behavior, and performance goals, future research should confirm the above results in other cultural and economic settings. In addition, while the authors of this study strived to ensure that the final sample represents a cross-section of businesses in the geographic region, it is recognized that procedurally the probability requirement may not have been satisfied, which may present a potential limitation.

Methodologically, various robustness tests were conducted to assess the validity of the model. Still, some limitations remain. Owing to the cross-sectional nature of the research design, both SEW and performance data were collected from the same respondent at the same time. Thus, it was not possible to entirely control for the threat of common method bias and the temporal emergence of SEWi factors and performance may not be perfectly linear, as performance perceptions and expectations may emerge alongside SEWi factors...
and covary accordingly. While SEM is particularly adept at measuring and limiting reverse causality biases, it was not possible to fully control for simultaneous causality between the IV and the DV or potential omitted variables in the model. Additionally, the lack of proper instrumental variables limits the ability to develop the full battery of post-hoc endogeneity tests necessary to ensure the robustness of the final model (Antonakis et al., 2010).

Whereas the use of SEM is appropriate considering the primary nature of this study as testing different dimensions of the same proto-construct (i.e., SEW), it presents potential threats to the validity of the model, specifically with regard to the divergent validity of the three SEW dimensions. Although post-hoc robustness tests suggest that these concerns are not pervasive and do not detract from the validity of the final structural model, these threats cannot be entirely eliminated. Future research should, therefore, explore these relationships in further samples and contexts and thus provide more specificity and nuanced understanding of the relationships discussed and analyzed herein.

Finally, this paper only investigates the direct relationships between various SEW dimensions and firm performance. Although the post-hoc linearity tests suggest that the direct relationships described in the hypotheses most adequately fit the data used in this study, it may be owed to the limitations of the sample and the multi-faceted measure of performance. Future research should explore these relationships in family firms with more dispersed ownership structures, such as publicly-owned family firms, and in more professionalized contexts with greater size variability (beyond the SMEs which were predominant in the sample).

CONCLUSIONS

The present study considers the impact of the importance of three dimensions of SEW – family prominence, family continuity, and family enrichment – on performance in family firms. Stakeholder theory was utilized to analyze the potential outcomes of pursuing these objectives for various family firm stakeholder groups, such as the individual, the firm, the society, and the family. The results suggest that the salience of SEW objectives associated with family prominence and continuity is positively related to family firm performance, whereas pursuing family enrichment goals may be detrimental to performance.
References


Debicki, Randolph, and Sobczak


Dispersing value creation activities across the world to achieve enhanced efficiency has been a strategy of Multinational Enterprises (MNEs) since the onset of current globalization. Such offshoring is location-driven whereby MNEs establish production subsidiaries or outsource production to suppliers in host countries where factors of production are most favorable. Over time, offshoring has gone beyond the outsourcing of manufacturing to include high value activities such as R&D and product development. For MNEs, offshoring has not always resulted in the desired efficiency and cost savings. Lately some MNEs have engaged in backsourcing by returning manufacturing to the home country.

The purpose of this special issue is to disseminate recent theoretical and empirical work dealing with the topic “from offshoring to backsourcing.” A number of broad topics are suggested here, this list is non-exhaustive. Both quantitative and qualitative papers are welcome as well as case studies of individual companies or samples of companies.

1. Reasons for backsourcing: A number of topics may be investigated. Generally, the shortcomings of offshoring open the possibilities of backsourcing. Offshoring often results in an expectation gap. For MNEs, outcomes may fall short of expectations due to rising and hidden costs, unsatisfactory levels of service and quality, and a lack of control over key functions in the value-creating process. Internal changes in a company, such as the introduction of new executives, may lead to a repositioning and restructuring of competencies, including changes and reversals of offshoring. External changes may reduce the strategic rationale of offshoring, including new challenges in the business environments of host countries, business changes for MNEs such as mergers, divestures, and acquisitions.

2. Strategies of backsourcing: companies may pursue various policies in bringing production/ manufacturing back to the home country. Papers may focus on insourcing (performing activities in-house) or resourcing (outsource to suppliers or vendors in the
home country). The scale of backsourcing is another topic for investigation, and may address complete backsourcing (returning all outsourced functions to the home country) or partial backsourcing (returning only offshore functions that underperformed to the home country). Backsourcing may mean that companies retain current outsourced activities but cancel all future plans for offshoring. We need to know more about the home-based pressures or changes that compel companies to cancel future offshoring plans. Such pressures may include political pressure to bring manufacturing jobs back to the home country.

3. Performance: How do companies perform after manufacturing/production activities have been backsourced? Does backsourcing provide the efficiency that offshoring failed to deliver? Does backsourcing improve a company’s financial performance? Does backsourcing lead to improved protection of intellectual property and/or lower exposure to enterprise risk? Does backsourcing influence a company’s ability to seek foreign markets?

4. How will backsourcing influence other value chain functions? What would be the role of IT in manufacturing backsourcing? How will companies recalibrate logistics in backsourcing?

5. Will industry factors influence backsourcing? Will backsourcing of manufacturing differ from backsourcing in the service industry?

Submission Guidelines: Send submissions for this special issue electronically to one of the guest editors in Microsoft Word format. Submissions must follow JMI requirements listed inside back cover or at www.journalofmanagerialissues.com. The standard JMI administrative fee of $100 will apply for papers accepted into the special issue. This minimal fee helps support the costs of publishing. In addition, a fee of $30 per page over the 25-page manuscript limit will also apply.

Questions regarding the special issue should be addressed to any guest editor.
Guidelines for Submission of Manuscripts

All submissions must adhere to these requirements. Submissions that deviate from these requirements may receive desk rejections. If in doubt consult The Chicago Manual of Style. Manuscripts may be submitted for consideration by sending an e-mail file attachment to jmi@pittstate.edu.

Format – Type double-spaced papers with one inch margins, on 8½”x11” paper. Place each figure, table, reference list, and abstract on a separate page; number pages after the first. Cover page should list title and name, position, affiliation, and mailing address of each author. On second page, include title and abstract. Submissions will not be returned.

Voice – Use the passive voice rather than the active, the third person rather than first.

Title – Title should specific, no more than fifteen words.

Abstract – Brief, no more than 250 words, that sets forth the main point of the paper. Three to five keywords must be supplied with the abstract.

Length – Limit of 25 pages -- text pages, references, and tables/figures (cover and abstract pages not counted). You may exceed this limit by no more than 10 pages for a fee of $30 per page over 25. The maximum length of 35 pages would cost $300, plus the $100 administrative fee. This is to help defray extra production costs.

Footnotes are discouraged and should be put in the main text where possible.

Tables and Figures – Each should include a number and a title centered over. (Do not refer to tables/figures as exhibits.) Use Arabic numbers for tables and Roman numbers on figures. Text should include a reference and placement of each. Place each figure/table on a separate sheet at the end.

Headings – Topical headings (centered, bold, all caps) and subheadings (at left margin, bold) should be used. Sub-subheadings should be indented and part of the paragraph, bold, and italicized, with a period at the end.

Student Samples – It is the position of JMI that while student samples in business research may be appropriate in certain situations, it is critical that the sampling method be appropriate for the research question under investigation. Authors should carefully consider the appropriateness of student samples and present valid arguments for their use.

Text Citations – Cite references in the body of the text:

- Author’s name is in text, follow with year in parentheses -- “...James (1988) claims that...”
- Author’s name not in text, last name, comma, and year- - “...some have argued (Thompson, 1972) that ...”
- Pagination (if needed) follows year, separated by a colon -- “...it has been claimed (Smith, 1984: 32) that ...”
- Two authors, give both names joined by “and” (not the symbol “&”); three or more use “et al.” -- “...another version (Chad and Barney, 1983) ...”; and “...it has been claimed (Bright et al., 1979) that ...”
- More than one reference to same author and year, use “a”, “b”, etc. in text and reference -- “...as was previously asserted (Lissner, 1989a: 12) ...”
- Authorless articles or studies, use name of journal or sponsoring organization, not title of article -- “...has been claimed (American Law Review, 1988) that ...”

References – The references should include only the most relevant work. The author should make sure that there is a strict “one-to-one correspondence” between the names (years) in the text and those on the list. Do not include unpublished work. References should follow the format below:
